

1 IN THE COUNTY OF WASHINGTON

2
3 VIRGINIA DEPARTMENT OF MINES, MINERALS AND ENERGY

4 VIRGINIA GAS AND OIL BOARD

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7
8 JUNE 21, 2005

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11 APPEARANCES:

12 DENNIS GARBIS - PUBLIC MEMBER

13 DONNIE RATLIFF - COAL REPRESENTATIVE

14 JIM MCINTRYE - PUBLIC MEMBER

15 MASON BRENT - OIL & GAS REPRESENTATIVE

16 BENNY WAMPLER - DEPUTY DIRECTOR OF THE DMME AND CHAIRMAN

17 SHARON PIGEON - OFFICE OF THE ATTORNEY GENERAL

18 BOB WILSON - DIRECTOR OF THE DIVISION OF GAS & OIL AND
19 PRINCIPAL EXECUTIVE TO THE STAFF OF THE BOARD

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1 BENNY WAMPLER: Good morning. My name is Benny
2 Wampler. I'm Deputy Director for the Virginia Department of
3 Mines, Minerals and Energy. I'll ask the Board members to
4 introduce themselves, starting with Mr. Garbis.

5 DENNIS GARBIS: My name is Dennis Garbis. I'm a
6 public member from Fairfax County.

7 DONALD RATLIFF: I'm Donnie Ratliff. I represent
8 the coal industry from Wise County.

9 JIM MCINTYRE: Jim McIntyre, Wise, Virginia. I'm a
10 public member from Wise, Virginia.

11 MASON BRENT: My name is Mason Brent. I'm from
12 Heathsville, Virginia and I represent the gas and oil
13 industry.

14 SHARON PIGEON: I'm Sharon Pigeon. I'm here from
15 the Office of the Attorney General.

16 BOB WILSON: I'm Bob Wilson. I'm the Director of
17 the Division of Gas and Oil, and principal executive to the
18 Staff of the Board.

19 BENNY WAMPLER: I apologize for the little
20 confusion we had this morning. They didn't have us on the
21 agenda. We're scheduled to be upstairs every third Tuesday,
22 but they had a little mixup and have made arrangements for
23 us. I cannot...Gary, can you hear me in the back?

24

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1 GARY EIDE: Yeah, I can.

2 BENNY WAMPLER: I'm just trying to test...test the
3 echo in the room here. The first item on the agenda today is
4 a petition from EOG Resources, Inc. for pooling of
5 conventional gas unit PK K-18, docket number VGOB-05-0315-
6 1426. We'd ask the parties that wish to address the Board in
7 this matter to come forward at this time.

8 TIM SCOTT: Tim Scott representing EOG Resources.

9 PETER BACON: Peter Bacon, Land Manager with EOG
10 Resources.

11 JIM KAISER: Jim Kaiser representing Equitable
12 Production Company.

13 BENNY WAMPLER: Okay, the record will show there
14 are no others. You may proceed.

15 TIM SCOTT: Thank you, Mr. Chairman. Raise your
16 right hand, please.

17 (Peter Bacon is duly sworn.)

18 TIM SCOTT: I'm confused. This is the wrong room.
19 I'm not in the right place.

20 BENNY WAMPLER: Yeah.

21

22 PETER BACON
23 having been duly sworn, was examined and testified as
24

1 follows:

2 DIRECT EXAMINATION

3 QUESTIONS BY MR. SCOTT:

4 Q. Okay, would you state your name, please?

5 A. Peter Bacon.

6 Q. And by whom are you employed?

7 A. EOG Resources.

8 Q. And what is your job description, Mr. Bacon?

9 A. I am the Land Manager for the Pittsburgh
10 Division.

11 Q. Are you familiar with EOG's application now
12 pending before the Board for unit PK K-18?

13 A. Yes, I am.

14 TIM SCOTT: For the record, this particular
15 application was dated February 11, but it has been continued
16 April, May and now June. So, some of the testimony that Mr.
17 Bacon is going to be giving does relate to items that were
18 provided to the Board some time ago.

19 Q. Is this unit located within the Pilgrim's
20 Knob Field?

21 A. Yes, it is.

22 Q. And what is the unit designation?

23 A. PK K-18.

24

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1 Q. Does it contain a 180 acres?

2 A. Yes, it does.

3 Q. And does EOG own drilling rights in the
4 unit?

5 A. Yes.

6 Q. Are there any respondents listed as unleased
7 on Exhibit B-3 that should be dismissed from the application?

8 A. Yes. Hard Rock Oil and Gas, Carter Oil and
9 Gas and Equitable Resources.

10 TIM SCOTT: We're going to stop for just a minute
11 for Mr. Kaiser.

12 JIM KAISER: Yeah. As you may remember, we had
13 asked that this be continued back, I guess, in February or
14 whenever it was first filed. We do have a lease on a tract
15 in the unit. We have an agreement, I think, worked out.
16 There has been some letters gone back and forth and nothing
17 signed. But I just wanted to get into the record that an
18 agreement would include...Equitable would be entitled to a
19 one-sixth override proportionally reduced as to their...in
20 relation to their share of acreage within the unit, would
21 have access to any well data when the well is drilled and
22 that EOG, in accordance with the Board order, would agree to
23 comply with the terms and provisions of Equitable's lease. I

24

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1 assume we'll have this thing signed in the near future.

2 Q. Is that true, Mr. Bacon?

3 A. Yes, those terms are acceptable to us.

4 JIM KAISER: And we'll sign a voluntary pooling
5 agreement.

6 Q. Mr. Bacon, prior to this agreement with
7 Equitable, what percentage of the unit did EOG have under
8 lease?

9 A. 31.63%.

10 Q. And was notice provided of this hearing to
11 the persons listed on Exhibit B-3?

12 A. Yes.

13 Q. And how was that accomplished?

14 A. By certified mail.

15 Q. Was notice perfected by any other way to the
16 persons listed thereon?

17 A. Yes. Notice of the hearing was published in
18 the February the 18th, 2005, Bristol Herald Courier.

19 Q. Are there any unknown persons in this unit?

20 A. No.

21 Q. Have you filed proofs of publication and
22 your mail certifications with regard to mailing with the
23 Board previously?

24

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1 A. Yes, they were submitted at the March the
2 15th, 2005 hearing.

3 Q. Is EOG authorized to conduct business in the
4 Commonwealth of Virginia?

5 A. Yes, we are.

6 Q. And has registered with the Department of
7 Mines, Minerals and Energy a blanket bond?

8 A. Yes.

9 Q. What would be the terms of the lease that
10 you would offer to any unleased parties?

11 A. \$5 an acre, one-eighth royalty, a five year
12 primary terms.

13 Q. Is this fair compensation, in your opinion?

14 A. Yes.

15 Q. And prior to this agreement with Equitable,
16 what percentage of the oil and gas estate did you seek to
17 pool?

18 A. 68.37%.

19 Q. Is there a requirement for this particular
20 unit of an escrow?

21 A. No.

22 Q. Are you requesting the Board to pool the
23 unleased parties listed on Exhibit B-3?

24

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1 A. Yes.

2 Q. Are you also requesting that EOG be named as
3 operator for this unit?

4 A. Yes, we are.

5 Q. And do you recommend or ask that the order
6 provide the elections made by the respondents be in writing
7 and sent to the applicant at EOG Resources and what would
8 that address be?

9 A. Southpoint Plaza One, 400 Southpoint
10 Boulevard, Ste. 300, Cannonsburg, Pennsylvania 15317 to the
11 attention of Peter E. Bacon, Division Land Manager.

12 Q. And should all correspondence regarding
13 elections be sent to this address?

14 A. Yes.

15 Q. Are you familiar with the total depth of the
16 proposed well?

17 A. Yes, I am.

18 Q. And what would that depth be?

19 A. 5,970 feet.

20 Q. Are you requesting that the pooling of oil
21 and gas reserves between the surface and the designated
22 formation excluding coal?

23 A. Yes.

24

1 Q. What's the estimated reserves for this unit?
2 A. 300 million cubic feet.
3 Q. And are you familiar with the costs of this
4 well as well?
5 A. Yes, I am.
6 Q. And what's the estimated dry hole costs?
7 A. \$231,300.
8 Q. And what's the estimated costs of the
9 completed well?
10 A. \$369,700.
11 Q. Has an AFE been signed and provided to the
12 Board?
13 A. Yes.
14 Q. Was the AFE prepared by your office?
15 A. Yes, it was prepared by our Engineering
16 Department.
17 Q. Does this AFE include a reasonable charge
18 for supervision?
19 A. Yes, it does.
20 Q. And would you...in your opinion, does the
21 drilling of this well promote conservation, prevent waste and
22 protect correlative rights?
23 A. Yes, it does.
24

1 TIM SCOTT: That's all the questions I have for Mr.
2 Bacon.
3 BENNY WAMPLER: Questions from members of the
4 Board?
5 (No audible response.)
6 BENNY WAMPLER: Do you have anything further?
7 TIM SCOTT: No, sir.
8 BENNY WAMPLER: Is there a motion?
9 DONALD RATLIFF: Move to approve, Mr. Chairman.
10 JIM MCINTYRE: Second.
11 BENNY WAMPLER: All in favor, signify by saying
12 yes.
13 (All members signify by saying yes.)
14 BENNY WAMPLER: Opposed, say no.
15 (No audible response.)
16 BENNY WAMPLER: You have approval. Thank you.
17 PETER BACON: Thank you.
18 BENNY WAMPLER: The next item on the agenda is a
19 petition from Karen T. and Don E. Taylor for disbursement of
20 funds from escrow and authorization for direct payment of
21 royalties on a portion of Tract 4, unit VC-504492, Ervington
22 District, Dickenson County, docket number VGOB-03-1021-1600.
23 We'd ask the parties that wish to address the Board in this
24

1 matter to come forward at this time. We'll ask you both to
2 state your name for the record and I'll get you sworn in too.

3 DON HALL: My name is Don Hall. I'm with Equitable
4 Production Company.

5 KAREN T. TAYLOR: My name Karen L...Karen T.
6 Taylor.

7 BENNY WAMPLER: Let's swear you in.

8 (Don Hall and Karen T. Taylor are duly sworn.)

9 BENNY WAMPLER: Don, do you want to take the lead
10 on this?

11 DON HALL: Well, really all I have is the
12 accounting of the moneys that have been put into escrow. Let
13 me pass out this information here.

14 (Don Hall passes out an exhibit.)

15 DON HALL: What I've given you is on the second
16 page is an accounting of what has...on the third page,
17 actually, is the accounting of what is due to the Taylors
18 that's in escrow. We have asked for a balance from the
19 escrow bank, but I don't think we've received that yet to
20 check it. But according to the email that...this is
21 information that Melanie Freeman in our Charleston office
22 provided me. According to the email, the Taylors were
23 erroneously paid some of the funds that should have been
24

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1 escrowed initially. They caught the fact that it should be
2 in escrow and it has been escrowed since then, but that's
3 explained on the last page there.

4 BENNY WAMPLER: Mrs. Taylor, do you have any
5 comments to the Board?

6 KAREN T. TAYLOR: Yeah, I did receive that, but I
7 haven't received anything since then.

8 BENNY WAMPLER: Okay. That would be consistent
9 with what he's saying that since then they've been putting it
10 into escrow.

11 KAREN T. TAYLOR: Yeah. But they did promise they
12 would send me out some money...part of it.

13 BENNY WAMPLER: Well, what we would do, is you have
14 made an application to the Board...you and your husband have
15 made application to the Board for disbursement of these funds
16 out of escrow. We would...working through Mr. Wilson, Mr.
17 Hall would have to get the verification from the bank and
18 that would be a payout of what's in escrow and then from that
19 point forward, we order them to pay directly to you.

20 KAREN T. TAYLOR: Okay.

21 BENNY WAMPLER: Is that acceptable to you?

22 KAREN T. TAYLOR: Yes.

23 DON HALL: The figures we have here are our
24
25

1 figures. We haven't received anything from the bank yet.

2 BENNY WAMPLER: I understand.

3 BOB WILSON: One thing that I think that needs to
4 be put on record here is the reasoning behind this
5 disbursement there. There's, obviously, two ways under the
6 law that the bank can disburse or the Board can disburse
7 funds. I would think that we need to get something on record
8 as to why this disbursement is taking place.

9 DON HALL: My understanding is, and I don't think I
10 have a copy of it, but Pine Mountain agreed that...in this
11 case they, they being the CBM claimant...I do have a copy of
12 the letter here dated January the 31st from Jeffery Bannon,
13 explaining...and I think it was probably attached to the Mrs.
14 Taylor's application, explaining that they don't
15 claim...they've released their claim to this...royalties on
16 this well.

17 KAREN T. TAYLOR: Yeah. I have a copy of the
18 letter.

19 BENNY WAMPLER: We have it in our files.

20 KAREN T. TAYLOR: Yeah.

21 DON HALL: Yeah.

22 BENNY WAMPLER: We also have a letter dated April
23 the 5th from Melanie Freeman with Equitable Production

24

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1 Company---.

2 KAREN T. TAYLOR: Yeah.

3 BENNY WAMPLER: ---directing you to file the
4 miscellaneous application.

5 KAREN T. TAYLOR: Yes.

6 BENNY WAMPLER: Do you think we need anything
7 further, Mr. Wilson?

8 BOB WILSON: It needs to be understood that we
9 can...we, the Board, can disburse only what is in that
10 account and the accounting has been rendered here is not
11 particularly definitive or informative, I don't think. We
12 need to make sure that all the parties are in agreement with
13 the Board disbursing what has been...what is now in the sub
14 account based on the percentages that are giving
15 because...and all parties to what accounting has been
16 presented here as being adequate.

17 BENNY WAMPLER: Do I have that agreement from both
18 of you?

19 KAREN T. TAYLOR: Yes.

20 BENNY WAMPLER: Mr. Hall?

21 DON HALL: Yes.

22 SHARON PIGEON: Are you asking them to agree to
23 this record or to what the bank ultimately provides.

24

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1 BOB WILSON: I'm asking...I'm saying that when the
2 order for disbursement comes down, it can only order
3 disbursement according to the percentage that these folks own
4 and what is in the bank on that particular date. If they are
5 agreeable that the accounting that has been supplied here is
6 adequate to inform them as to what is in there and what they
7 expect, then we can...I think that the Board would consider
8 whether or not to accept that and order the disbursement.

9 SHARON PIGEON: Well, I think they need to agree
10 that whatever the bank's records say is what they will accept
11 because this could be wrong.

12 BOB WILSON: Yes.

13 SHARON PIGEON: And that's not exactly how I
14 understood your question.

15 DON HALL: I'm sure there would be some interest on
16 top of the figures that we have here from the bank.

17 BENNY WAMPLER: Right.

18 DON HALL: It would be somewhat more than this, I
19 would imagine.

20 BOB WILSON: Normally, we get an accounting that
21 pairs the deposits with the bank record and then the interest
22 is added up on top of that. Again, if this adequate to the
23 Board, that's no problem with me. I can do the order.

24

1 BENNY WAMPLER: Well, it's two-part: You are
2 agreeing to the percentage that they list and you are
3 agreeing to the amount of money, subject to that money being
4 reconciled with what's in the bank. If we have an agreement
5 on that, then I'll ask the Board if they have any questions.
6 KAREN T. TAYLOR: How much will that be?
7 BENNY WAMPLER: I don't have a clue. Typically,
8 what we have is prior to coming we have that bank
9 reconciliation. We don't have that today. And, therefore,
10 what we're saying is you would need to, in order for us to
11 disburse today, we're asking, do you agree to these
12 percentages and the amount subject to reconciliation with the
13 bank records?
14 KAREN T. TAYLOR: Yes.
15 BENNY WAMPLER: And you agree to that, Mr. Hall?
16 DON HALL: Yeah.
17 BENNY WAMPLER: Okay. Any questions from members
18 of the Board?
19 MASON BRENT: Mr. Chairman, I just have maybe a
20 concern here that we may be by issuing an order today prior
21 to an agreement on the percentages and the balance, that may
22 be creating some problems down the road if this becomes a
23 frequent occurrence, and then there's subsequent disagreement
24

1 as to the numbers and all of that and it's going to be back
2 before the Board. It seems appropriate to me that the time
3 to issue the order is after we have testimony here and
4 witnesses that says, yes, we agree on the percentages and
5 yes, we are agreeing to the most recent numbers from the
6 bank.

7 BENNY WAMPLER: Right. I agree with that.

8 MASON BRENT: It's just my comment.

9 BENNY WAMPLER: I agree with that. That's why I
10 asked them around the block type of questions. I think what
11 we would say we're going to ask the Board require that be
12 done prior to, and we can do it at this one, but certainly
13 any future ones before we disburse.

14 DON HALL: We had asked the bank for a
15 reconciliation, which we haven't received yet.

16 BOB WILSON: I...I don't think we can fully blame
17 the bank on this. I know there was some emails sent. But
18 these things need to be pursued earlier than the Friday
19 before the hearing.

20 BENNY WAMPLER: So, is there a motion?

21 DON HALL: So moved, Mr. Chairman.

22 JIM MCINTYRE: Second.

23 BENNY WAMPLER: Move for approval and second. Any
24
25

1 further discussion?

2 (No audible response.)

3 BENNY WAMPLER: All in favor, signify by saying
4 yes.

5 (All members signify by saying yes, but Mason
6 Brent.)

7 BENNY WAMPLER: Opposed, say no.

8 MASON BRENT: No.

9 BENNY WAMPLER: We have one no. I would say to the
10 parties here, and we'll direct Mr. Wilson, and I'll ask the
11 Board the Board to concur with this, that for all future
12 disbursements we'll have the reconciliation from the bank in
13 front of us or we won't disburse. Is that appropriate?
14 Everybody in agreement.

15 (All members signify by saying yes.)

16 BENNY WAMPLER: Everybody agrees. Thank you.

17 KAREN T. TAYLOR: So, now is it going to be coming
18 at some point in time?

19 BENNY WAMPLER: I'm sorry?

20 KAREN T. TAYLOR: Is it going to be coming at some
21 point in time?

22 BENNY WAMPLER: What we will do here, the Board
23 just approved the order for payment out of escrow. The money
24

1 will be reconciled with the bank and disbursed from the bank
2 by Mr. Wilson. That order directs the bank to pay out what
3 they have in for that account.

4 KAREN T. TAYLOR: Okay. So, they will send it to
5 me at some point in time?

6 BENNY WAMPLER: Yes. Then Equitable will be making
7 direct payments...they'll be ordered to make direct payments
8 to you on a periodic basis.

9 DON HALL: My understanding is the royalty that's
10 continuing to be earned after this application is probably
11 being put in suspense and not going to the escrow agent.
12 That will be backed up and paid for too whenever the
13 arrangement is completed.

14 BENNY WAMPLER: Okay. Now, let me verify one last
15 thing. I should have done this earlier. Your address, is it
16 correct as in your application, without me announcing it to
17 everybody in here?

18 KAREN T. TAYLOR: Yes. On that page there where I
19 wrote my name, it's Karen T. Taylor.

20 BENNY WAMPLER: Yes, okay.

21 KAREN T. TAYLOR: 653 Redwood Lane, Mt. Carmel,
22 Tennessee 37645. It has got my home number and my cell
23 number.

24

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1 BENNY WAMPLER: Okay. Don't tell me out loud, but
2 you'll need to write down for Mr....for Mr. Wilson your
3 social security number and sign below it, if you will, before
4 you leave here today and we'll save you some time on that.
5 KAREN T. TAYLOR: All right.
6 BENNY WAMPLER: We'll have to have that.
7 BOB WILSON: We will furnish that to the bank so
8 they can provide you with the paperwork at the end of the
9 year accounting. We will not maintain that social security
10 number in our files. We will not keep that.
11 KAREN T. TAYLOR: Okay.
12 BOB WILSON: We'll need it to provide it to the
13 bank.
14 KAREN T. TAYLOR: So, when am I to sign it? When
15 am I to sign it or to fill it out?
16 BENNY WAMPLER: Before you leave here today, if
17 you'll just write down your social security number and just
18 walk up here and hand it to him. You won't disrupt us doing
19 that.
20 KAREN T. TAYLOR: Okay.
21 BENNY WAMPLER: So, whatever is convenient for you.
22 The next item on the agenda, the Board on its own motion
23 will receive testimony to correct prior orders issued for
24

1 unit BB-33. This is docket number VGOB-04-0817-1318-01.

2 We'd ask the parties that wish to address the Board in this
3 matter to come forward at this time.

4 MARK SWARTZ: Mark Swartz and Les Arrington and
5 Anita Duty. You probably need to swear Anita on this one.

6 (Anita Duty is duly sworn.)

7 BENNY WAMPLER: The record will show no others.

8 You may proceed.

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ANITA DUTY

2 having been duly sworn, was examined and testified as
3 follows:

4

DIRECT EXAMINATION

5 QUESTIONS BY MR. SWARTZ:

6 Q. Anita, you need to state your name for us.

7 A. Anita Duty.

8 Q. Who do you work for?

9 A. CNX Gas.

10 Q. We're back here on BB-33, again, right?

11 A. Uh-huh.

12 Q. Can you kind of bring the Board up to date
13 as to why...why needed to come back to correct the record and
14 what you've done in terms of notice to make that happen?

15 A. Okay, can I get my folder? Just a second.

16 Q. Yes.

17 (Anita Duty gets her file.)

18 A. Okay, I'm ready.

19 Q. Okay, bring us up to date as to what the
20 problem was and what needs to be corrected and what you've
21 done to notice the folks effected by the correction.

22 A. Okay. I guess it was brought to my
23 attention that Bob had noticed that the previous order had an

24

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1 Exhibit EE showing a royalty split with Coal Mountain and CNX
2 for Tract 2, I don't know if I said that or not. When I
3 filed the supplemental order, I changed it and put it back on
4 Exhibit E as being a conflict because of the way of the
5 merger with CNX and BBC came about. That royalty split
6 wasn't good for that particular tract. So, I think, Bob just
7 wanted me to clear it up that I had previously testified that
8 there was going to be an Exhibit EE and there was a royalty
9 split and now there's not. So---.

10 Q. It turned out the split was invalid, is that
11 right?

12 A. Right.

13 Q. Okay. So, the correction is to correct the
14 order to indicate that there is not a split agreement, right,
15 and that the tract is actually in conflict in and needs to be
16 escrowed?

17 A. Yes. And the supplemental order that I
18 filed already reflects that. He just wanted me to clear it
19 up for the record.

20 BENNY WAMPLER: That was just one thing we felt
21 like that we couldn't allow to be corrected by supplemental
22 order. That we needed to---.

23 MARK SWARTZ: And then also you sent out a notice,
24

1 I think, to Coal Mountain---.

2 ANITA DUTY: Right. I sent a letter and I've got a
3 copy of the letter and the return receipt where we notified
4 Coal Mountain what we were doing.

5 MARK SWARTZ: And what's the date of that letter
6 there?

7 ANITA DUTY: May the 9th.

8 MARK SWARTZ: Of this year?

9 ANITA DUTY: Uh-huh.

10 MARK SWARTZ: That's all we have with regard to
11 that. But we'd like that correction sort of validated, I
12 guess.

13 BENNY WAMPLER: Any questions from members of the
14 Board?

15 (No audible response.)

16 BENNY WAMPLER: Do you have anything further?

17 MARK SWARTZ: No.

18 BENNY WAMPLER: Is there a motion?

19 JIM MCINTYRE: Motion to approve.

20 BENNY WAMPLER: Motion to approve. A second?

21 DENNIS GARBIS: Second.

22 BENNY WAMPLER: All in favor, signify by saying
23 yes.
24
--

1 (All members signify by saying yes.)
2 BENNY WAMPLER: Opposed, say no.
3 (No audible response.)
4 BENNY WAMPLER: You have approval. I may move you
5 all if we can find Don Hall. He just walked out. But we
6 have some people here for disbursements. I'm trying not to
7 hold them.
8 MARK SWARTZ: Okay.
9 BENNY WAMPLER: The gentleman is sick and not
10 feeling well. Let me make sure first.
11 MARK SWARTZ: Okay.
12 (Off record.)
13 BENNY WAMPLER: It's twenty-one and twenty-two on
14 the agenda when he comes back in.
15 (Don Hall returns to the room.)
16 BENNY WAMPLER: I'm going to go ahead and call a
17 petition from William C. and Vonda, is that correct, Vonda---
18 VONDA ROSE: Yes.
19 BENNY WAMPLER: ---Rose for disbursement of funds
20 from escrow and authorization for direct payment of royalties
21 on Tract 5, unit VC-504509, docket number VGOB-01-1120-0986-
22 01. We'd ask the parties that wish to address the Board to
23 come forward at this time, please. Mr. Rose has a little
24

1 difficulty hearing, so anybody that speaks to him, speaks as
2 loud as we can.

3 DON HALL: Which one did you call first?

4 BENNY WAMPLER: Twenty-one, it's the 0986-01.

5 DON HALL: Which well number is that?

6 JIM KAISER: 4509.

7 BENNY WAMPLER: Do we have the same bank issue?

8 DON HALL: Yes. We still don't have the bank
9 accounting.

10 BENNY WAMPLER: Let me ask the Board before we go
11 forward here, are you okay to continue what we have today
12 since we just made that---?

13 (All members signify by saying yes.)

14 BENNY WAMPLER: All right. Go ahead, Mr. Hall, and
15 tell us what you've given us.

16 DON HALL: I've given you an accounting from our
17 administrative group. Actually, what you're looking at is
18 relative to both petitions. It's for VC-504209 and VC-3047.

19 BENNY WAMPLER: Would it be better to call that
20 other one as well and we'll talk about both of them?

21 DON HALL: Yes.

22 BENNY WAMPLER: Okay, I'll go ahead and call that.
23 A petition from William C. and Vonda E. Rose for
24

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1 disbursement of funds from escrow and authorization for
2 direct payment of royalties on Tract 6, unit VC-3047, docket
3 number VGOB-99-0420-0719-01. We'd ask the parties that wish
4 to address the Board in this matter to come forward at this
5 time.

6 DON HALL: Don Hall with Equitable Production
7 Company.

8 BENNY WAMPLER: State your name for the record,
9 please, both of you.

10 WILLIAM C. ROSE: William C. Rose.

11 VONDA E. ROSE: Vonda E. Rose.

12 BENNY WAMPLER: All right. If you will, all of you
13 raise your hand and let's swear you in.

14 (Don Hall, William C. Rose and Vonda E. Rose are
15 duly sworn.)

16 DON HALL: Again, this is an accounting...our
17 accounting of both wells VC-504509 and VC-3047. On page
18 two...on the second page, the lady that typed this must have
19 got dyslexia briefly there. The well number is 3047 and not
20 3074. But that's the accounting. The third page is what is
21 to be paid to the Roses. Again, we don't have anything from
22 the bank on this one yet.

23 BENNY WAMPLER: Mr. and Mrs. Rose, I don't know how
24

1 much you heard of the previous case that we had like this.
2 We don't like not having the bank statements for
3 reconciliation. But what we'll do in absence of that is ask
4 you, is this your application that you're making? Do these
5 number that he has presented today is the percentages...the
6 percentages you expect and will you accept payment out of
7 escrow based on this amount reconciled with what he has
8 presented?

9 WILLIAM C. ROSE: Let me make sure that I
10 understand, is this last figure here 15,804, is that my
11 portion that I should receive?

12 BENNY WAMPLER: Mr. Hall?

13 DON HALL: Yes, that's what I understand. That's
14 my understanding. I didn't prepare this.

15 WILLIAM C. ROSE: The other one is \$107.37?

16 DON HALL: Right.

17 WILLIAM C. ROSE: Yes, I think that must be right.

18 BENNY WAMPLER: And understand the bank...the bank
19 numbers are likely not to exactly match because they'll have
20 percentages of interest applied that's not applied here and
21 possibly some...you know, some other item that would need to
22 be reconciled. But when I'm saying reconcile, they'll be a
23 direct comparison of what he has with what the bank has. All

24

--

1 we can order payment from is the amount that's in the bank.
2 We can't order payment of something that's not there, okay?
3 And then after that disbursement is made, we would be
4 ordering each month that there will be a direct payment made
5 to you following the order, okay? Is that acceptable to both
6 of you?

7 WILLIAM C. ROSE: Yes.

8 BENNY WAMPLER: Mrs. Rose?

9 VONDA E. ROSE: (Indicates in the affirmative.)

10 BENNY WAMPLER: She's nodding her head yes.

11 Anything further from members of the Board?

12 (No audible response.)

13 BENNY WAMPLER: Do you have anything further, Mr.

14 Hall?

15 DON HALL: Nothing further.

16 BENNY WAMPLER: Mr. and Mrs. Rose, do you have

17 anything further?

18 WILLIAM C. ROSE: No.

19 BENNY WAMPLER: Is there a motion?

20 DONALD RATLIFF: I move to approve, Mr. Chairman.

21 JIM McINTYRE: Second.

22 BENNY WAMPLER: Motion is approved and second. Any

23 further discussion?

24

1 (No audible response.)

2 BENNY WAMPLER: All in favor, signify by saying

3 yes.

4 (All members signify by saying yes, but Mason

5 Brent.)

6 BENNY WAMPLER: Opposed, say no.

7 MASON BRENT: No.

8 BENNY WAMPLER: You have approv...we have one no.

9 You have approval. I'll need, before you leave...don't tell

10 us, before you leave I need verification of your address and

11 your social security numbers. If you'll write it down and

12 give it to Mr. Wilson, we'll save you a trip, okay?

13 WILLIAM C. ROSE: Okay.

14 BENNY WAMPLER: Thank you.

15 WILLIAM C. ROSE: Thank you.

16 BENNY WAMPLER: The next item on the agenda is a

17 petition from CNX Gas Company, LLC for repooling of coalbed

18 methane unit D-23, docket number VGOB-01-1016-0942-01. We'd

19 ask the parties that wish to address the Board in this matter

20 to come forward at this time.

21 MARK SWARTZ: Mark Swartz and Les Arrington.

22 BENNY WAMPLER: The record will show no others.

23 You may proceed. While they're getting organized, do you

24

1 have any housekeeping with yours?

2 MARK SWARTZ: We want to withdraw number twenty.

3 It's now a voluntary unit. We've leased everybody. That's
4 AY-140. Thank you for continuing it long enough for that to
5 happen.

6 BENNY WAMPLER: That is withdrawn. That's docket
7 number VGOB-05-0315-1413 is withdrawn.

8 MARK SWARTZ: Correct. Also, I think the first
9 items four, five and six, we probably need to take one at a
10 time. But then the Middle Ridge, when I get to that, the
11 seven, eight and nine on your docket, those are three Middle
12 Ridge units. It might make sense to combine those when we
13 get to them.

14 BENNY WAMPLER: Okay.

15 MARK SWARTZ: We've got an Appeal, which is number
16 twenty-three. But I think Les has an issue with something
17 even later in the docket. So, there's no reason to take that
18 out of order as far as we're concerned. We're going to be
19 here for the distance today.

20 BENNY WAMPLER: Okay. All right, you may proceed.

21

22 LESLIE K. ARRINGTON

23 DIRECT EXAMINATION

24

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1 QUESTIONS BY MR. SWARTZ:

2 Q. Les, you need to state your name for us.

3 A. Leslie K. Arrington.

4 Q. Have you been sworn? Have you sworn him?

5 BENNY WAMPLER: No.

6 (Leslie K. Arrington is duly sworn.)

7 Q. Was your...was your answer with regard to
8 your name the truth?

9 A. Yes, it was.

10 Q. Okay. All right. Who do you work for?

11 A. CNX Gas.

12 Q. What do you do for them?

13 A. Manager of environmental and permitting.

14 Q. Okay. And...and are these applications that
15 we're going to be dealing with today things that either you
16 prepared yourself or were prepared under your direct
17 supervision?

18 A. That's correct.

19 Q. And, in fact, with regard to all of these
20 applications, you've signed the application and you've signed
21 the notice?

22 A. Yes.

23 Q. With regard to the first one that we're
24

--

1 going to be talking about today, D-23, this is a repooling,
2 is that correct?

3 A. It is.

4 Q. Why was it necessary to repool this?

5 A. We ended up having some mapping corrections
6 made.

7 Q. Okay. And when you corrected the map, would
8 it be true that the percentages changed a little bit?

9 A. It did.

10 Q. Okay. So, it needs to be repooled?

11 A. Yes.

12 Q. Have you noticed this as to everyone just
13 straight up as if it were a pooling from the start?

14 A. We did.

15 Q. Okay. And what did you do to notify people,
16 the respondents, that there would be a hearing today?

17 A. It was mailed by certified mail, return
18 receipt requested on April the 15th, 2005 and published in
19 the Bluefield Daily Telegraph on April the 25th, 2005.

20 Q. And did you provide Mr. Wilson with proof
21 with regard to mailing and with regard to publication?

22 A. We have.

23 Q. Okay. Do you want to dismiss any
24

1 respondents today?

2 A. No.

3 Q. Do you want to add any?

4 A. No.

5 Q. Are the respondents that you're seeking to
6 effect by this request for an additional order here, are they
7 identified in the notice of hearing in the two blank and are
8 they also notified or identified again in Exhibit B-3?

9 A. Yes, they are.

10 Q. Okay. The applicant is CNX Gas Company,
11 LLC?

12 A. Yes.

13 Q. Is that company a Virginia General
14 Partnership?

15 A. Yes, it is.

16 Q. It is a wholly owned indirect subsidiary of
17 Consol Energy, Inc.?

18 A. Yes, it is.

19 Q. Is CNX, LLC authorized to do business in the
20 Commonwealth?

21 A. Yes, it is.

22 Q. Who is it that the applicant is requesting
23 be appointed the Board's designated operator, although we
24

1 already have one, so I guess it would be reappointed as
2 designated operator?

3 A. CNX Gas.

4 Q. Okay. Is CNX registered with the DMME?

5 A. Yes, it is.

6 Q. And does it have a blanket bond on file?

7 A. Yes.

8 Q. Okay. The well that we're talking about
9 here, obviously, has already been drilled?

10 A. Yes, it has.

11 Q. What kind of well is it?

12 A. Frac well.

13 Q. Is it in an 80 acre Oakwood unit?

14 A. Yes, it is.

15 Q. Okay. And this...I believe, this well, when
16 it was drilled, was drilled in the window as well?

17 A. I believe, yes.

18 Q. Okay. The...would you tell the Board what
19 standing the applicant has at this point...what interest
20 you've acquired and what you're seeking to pool on the
21 repooling?

22 A. Yes. We've...we have leased or own 99.6031%
23 of the coal, oil and gas and we're seeking to pool 0.3969% of
24

1 the coal, oil and gas.

2 Q. Okay. And with regard to the small interest
3 that you're seeking to pool, do you remain willing to lease
4 those interest?

5 A. Yes, we are.

6 Q. And with regard to the interest that you've
7 been able to acquire, the 99 plus percent, what have the
8 lease terms been that you've offered?

9 A. A dollar per acre per year, a five year paid
10 up term with one-eighth production royalty.

11 Q. And would you request that the Board in
12 repooling this unit, if it does that, that it include as term
13 of its pooling order for folks who are deemed to have been
14 leased, those would be the terms?

15 A. Yes.

16 Q. With regard to the development plan, is it
17 your opinion that the plan for development here is a
18 reasonable plan to develop the coalbed methane resource
19 within and under this unit and that the plan, as disclosed by
20 the application, is to drill one frac well?

21 A. Yes.

22 Q. Would it be your testimony and your opinion
23 that if you combine the leasing efforts that you have
24

1 been...you have succeeded and the Board's pooling order, that
2 between those two events all of the interest of all the
3 claimants and owners will be protected?

4 A. Yes, it will.

5 Q. Okay. With regard to the well costs, we've
6 done this before, did you...have you reused the well costs
7 numbers from the prior pooling?

8 A. I did.

9 Q. Okay. And that's because you want everybody
10 to be on equal footing with regard to the numbers?

11 A. That's correct.

12 Q. And that would be...those numbers are
13 reported again in Exhibit C?

14 A. Yes, they are.

15 Q. Okay. And what's...what's the total
16 estimated well costs?

17 A. \$205,140.68 to a depth of 2474. The permit
18 number was 5212 drilled on April the 18th, 2002.

19 MARK SWARTZ: That's all I have, Mr. Chairman.

20 BENNY WAMPLER: Questions from members of the
21 Board?

22 MARK SWARTZ: Actually I have one more thing.

23 Q. There's no escrow requirements, is that
24

1 correct?

2 A. No.

3 BENNY WAMPLER: Go ahead.

4 MARK SWARTZ: There are no escrow requirements.

5 BENNY WAMPLER: Okay. The drilling costs that you

6 went over, are those actual now?

7 LESLIE K. ARRINGTON: Well, it could be. I used

8 the same well costs as I used here the first time so, you

9 know, there would be no questions that, "Hey, they've

10 changed." We can certainly get that information. Anytime we

11 do anything repooling, I always try to back up and use the

12 same costs.

13 BENNY WAMPLER: Right. Okay. Questions from

14 members of the Board?

15 (No audible response.)

16 BENNY WAMPLER: Do you have anything further, Mr.

17 Swartz?

18 MARK SWARTZ: No, I don't.

19 BENNY WAMPLER: Is there a motion?

20 DENNIS GARBIS: Motion to approve.

21 JIM MCINTYRE: Second.

22 BENNY WAMPLER: Motion and second. Any further

23 discussions?

24

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1 (No audible response.)

2 BENNY WAMPLER: All in favor, signify by saying

3 yes.

4 (All members signify by saying yes.)

5 BENNY WAMPLER: Opposed, say no.

6 (No audible response.)

7 BENNY WAMPLER: You have approval. The next item

8 on the agenda is a petition from CNX Gas Company, LLC for the

9 establishment of drilling units under Field Rules for

10 allowing horizontal drilling in the Maiden Springs District,

11 docket number VGOB-04-0921-1341-02. We'd ask the parties

12 that wish to address the Board in this matter to come forward

13 at this time.

14 MARK SWARTZ: Mark Swartz and Les Arrington.

15 BENNY WAMPLER: The record will show no others.

16 You may proceed.

17

18 LESLIE K. ARRINGTON

19 DIRECT EXAMINATION

20 QUESTIONS BY MR. SWARTZ:

21 Q. Les, could you state your name, again, for

22 us?

23 A. Leslie K. Arrington.

24

1 Q. Okay, I'll remind you that you're still
2 under oath.

3 A. Yes, sir.

4 MARK SWARTZ: Mr. Chairman, I'd request that you
5 allow the testimony that Mr. Arrington gas with regard to his
6 employment and with regard to the applicant to be
7 incorporated from the previous hearing into this one.

8 BENNY WAMPLER: That will be incorporated.

9 Q. Les, the reason that we're here on this
10 application is to...is to create a drilling unit and to have
11 the Board validate a location exception in the event that Mr.
12 Wilson can be persuaded to grant one as well?

13 A. That's correct.

14 Q. Okay. We don't need to pool this unit?

15 A. No.

16 Q. And that's because why?

17 A. We own or lease 100%.

18 Q. And essentially to put in prospective here
19 what you're doing, there are two Vs on the map that you've
20 passed out and the one to the north is the...is the V that
21 we're talking about today?

22 A. Right. Actually, on the map, you'll see,
23 and I'll try to point it, there's three. There's one at the

24

--

1 top.

2 Q. Oh, there is one at the top.

3 A. There's two at the bottom. The northern
4 most one and the southern most one we've already been here
5 before the Board on and we're now here on the...kind of the
6 center one, I'll call it.

7 Q. Okay. And that you've identified as...as
8 horizontal wells, TA-63 and TA-64, right?

9 A. That's correct.

10 Q. And why is it that we're asking for a
11 location exception with regard to these wells?

12 A. Those wells are within 500 feet of one
13 another.

14 Q. Okay, and that's why?

15 A. Yes. In the first application, I believe
16 Mr. Wilson was able to grant that location exception, but
17 they did want to see...see us back before the Board.

18 Q. Right. And...and...now, which of those two
19 wells is going to turn out to be a producing well as opposed
20 to a servicing well?

21 A. TA-64.

22 Q. Okay. Is that ones...the print is pretty
23 small, but that's the one slightly to the north of T...of the

24

--

1 other one?

2 A. Yes. It's the one right in the V.

3 Q. Okay. Right at the...where the V comes

4 together?

5 A. Yes.

6 Q. Okay. And that's where the production is

7 going to occur?

8 A. Yes, it is.

9 Q. And just to refresh everybody's memory, why

10 do you need two holes for a horizontal well?

11 A. One hole is used for production and the

12 other hole is used for drilling the access.

13 Q. So, it's actually you've stepped back a

14 little bit and you can steer it better?

15 A. Yes, we do steer through it.

16 Q. And you essentially drilled through the

17 first hole twice with the legs?

18 A. We do.

19 Q. Okay. The size of the drilling unit here,

20 how many acres are you talking about?

21 A. The drilling unit would be 1, 2, 3, 4,

22 4...480 acres.

23 Q. And, basically, have you taken the six units

24

1 that these horizontal wells are proposed to be in and
2 multiple it times the 80 acres?

3 A. Yes, that's basically---.

4 Q. That's how you got that?

5 A. Yes, it is.

6 Q. And at paragraph seven of the application,
7 you've actually done though a sort of metes and bounds
8 unit---?

9 A. We did.

10 Q. ---description as well---?

11 A. Yes, we did.

12 Q. ---as required?

13 A. Yes.

14 Q. Okay. And what formations are these wells
15 proposing to produce from?

16 A. In this one, we're actually drilling for the
17 Pocahontas #4 Seam in this unit.

18 Q. Okay. So, you would be right in that...in
19 that seam?

20 A. Yes.

21 Q. And do your leases set forth the method of
22 payment in a unit such as this?

23 A. Yes, it is.

24

1 Q. So, you don't need an order in that regard?
2 A. No.
3 Q. The problem is that your leases don't
4 authorize the creation of a unit this big without Board
5 approval?
6 A. Normally, they do not.
7 Q. And that's why we're here?
8 A. Yes.
9 MARK SWARTZ: I think that's all I have, Mr.
10 Chairman.
11 BENNY WAMPLER: Questions from members of the
12 Board?
13 DONALD RATLIFF: Mr. Chairman. What's this close
14 to, Les?
15 LESLIE K. ARRINGTON: Close to---.
16 DONALD RATLIFF: Town or---?
17 LESLIE K. ARRINGTON: ---Amonate and Bandy,
18 Virginia.
19 DONALD RATLIFF: Okay.
20 LESLIE K. ARRINGTON: Richlands. Cedar Bluff would
21 be kind of to the southwest---.
22 DONALD RATLIFF: West, okay.
23 LESLIE K. ARRINGTON: ---of the map just a little
24

1 bit.

2 BENNY WAMPLER: Tell us a little bit about your
3 experience with the drilling in this fashion before and how
4 it's working.

5 LESLIE K. ARRINGTON: Yes, we've...we've actually
6 started doing this. We've been doing it for quite some time
7 in our northern operations in the Pittsburgh Seam. We have
8 completed the first well and that first well actually to be
9 completed would be the one to the south. We've actually
10 completed. We took the drill off of there just this past
11 week and moved up to the second hole. The first hole, we
12 were successful in getting the legs drilled. What is it
13 going to produce? Well, we've got to get our pumps on it and
14 get the water off of it because they do produce a substantial
15 amount of water at the beginning. Until we get the water
16 pumped off, we're still wait and see attitude here on...on
17 what they're going to produce. But in the northern regional,
18 we've actually got them pumped off and producing. The wells
19 are doing very good.

20 BENNY WAMPLER: Much better than the single hole,
21 frankly.

22 LESLIE K. ARRINGTON: Yes, sir, they are.

23 BENNY WAMPLER: Is mining planned in this area?

24

--

1 LESLIE K. ARRINGTON: No, sir, not in the 4 Seam at
2 this time.

3 BENNY WAMPLER: Other questions from members of the
4 Board?

5 MASON BRENT: I have just one question, Mr.
6 Chairman.

7 BENNY WAMPLER: Mr. Brent.

8 MASON BRENT: The drilling unit, did you say it
9 would be made up of six units? Can you identify those units
10 for me?

11 LESLIE K. ARRINGTON: Okay.
12 (Mark Swartz and Leslie K. Arrington confer.)

13 DENNIS GARBIS: It looks like six.

14 LESLIE K. ARRINGTON: Yeah, six, I believe. Okay,
15 it will be Y---.

16 MARK SWARTZ: Oh, you're right.

17 LESLIE K. ARRINGTON: Okay, Y-63, Z-63, AA-63, AA-
18 62, Z-62 and Z-61.

19 BENNY WAMPLER: Other questions?
20 (No audible response.)

21 BENNY WAMPLER: Do you have anything further, Mr.
22 Swartz?
23 (No audible response.)
24
25

1 MARK SWARTZ: No.

2 BENNY WAMPLER: Is there a motion?

3 DENNIS GARBIS: Motion to approve.

4 JIM McINTYRE: Second.

5 BENNY WAMPLER: Any further discussion?

6 (No audible response.)

7 BENNY WAMPLER: All in favor, signify by saying

8 yes.

9 (All members signify by saying yes.)

10 BENNY WAMPLER: Opposed, say no.

11 (No audible response.)

12 BENNY WAMPLER: You have approval. The next item

13 on the agenda is a petition from CNX Gas Company, LLC for

14 pooling of a coalbed methane unit E-53, docket number VGOB-

15 05-0517-1445. We'd ask the parties that wish to address the

16 Board in this matter to come forward at this time.

17 MARK SWARTZ: Mark Swartz and Les Arrington.

18 BENNY WAMPLER: The record will show no others.

19 You may proceed.

20

21 LESLIE K. ARRINGTON

22 DIRECT EXAMINATION

23 QUESTIONS BY MR. SWARTZ:

24

1 Q. Les, you need to state your name, again.
2 A. Leslie K. Arrington.
3 Q. I'll remind you're still under oath.
4 A. Yes.
5 MARK SWARTZ: Mr. Chairman, I'd like to incorporate
6 Mr. Arrington's testimony with regard to who he works for and
7 his company and their status in the Commonwealth from the
8 first hearing, if I could.
9 BENNY WAMPLER: That will be incorporated.
10 Q. Mr. Arrington, did we have a chance to meet
11 with Mr. and Mrs. Vandyke before the meeting started today?
12 A. Yes, we did.
13 Q. Let's turn to B-53 and Exhibit B-3 and talk
14 about that for a minute. We had...on our Exhibit B-3, we had
15 noticed in Tract 5B a Leslie K. Mitchell, correct?
16 A. That's correct.
17 Q. And did it turn out that that was in error?
18 A. Yes, it was.
19 Q. And it should really be Leslie K. Vandyke?
20 A. That's correct.
21 Q. And so we're going to submit, you know, a
22 revised exhibit in that regard?
23 A. Yes.

24

--

1 Q. And although Mr. Vandyke received his mail
2 at the address you have, his preferred mailing address, he
3 told us this morning, is Post Office Box 81, Jewell Ridge,
4 Virginia 24622?

5 A. Correct.

6 Q. And...and we also learned from him that his
7 wife is Sarah, S-A-R-A-H, Vandyke, correct?

8 A. That's correct.

9 Q. And that she is one of the Thomas Mitchell
10 heirs?

11 A. That's correct.

12 Q. That's the and/or here in the Tract 5B,
13 correct?

14 A. Yes, it could be.

15 Q. And...and she has given us this morning some
16 additional information, which we're going to use at the
17 Courthouse to see if we can't streamline and simplify and
18 identifying those heirs, which are at this point unknown,
19 correct?

20 A. That's correct.

21 Q. And they're, in fact, here although they
22 didn't appear, they're in the back observing, is that
23 correct?

24

--

1 A. Yes.

2 Q. Okay. With regard to this pooling

3 application on E-53 today, what...what kind of unit is it?

4 A. It's an 80 acre.

5 Q. Okay. And in what Field Rules?

6 A. Oakwood.

7 Q. Okay. And how many wells do you propose?

8 A. One.

9 Q. And is it located in the window?

10 A. Yes.

11 Q. And is it the kind of well that is a frac

12 well?

13 A. Yes, it is.

14 Q. Have you included a well cost estimate?

15 A. Yes, I have.

16 Q. And what's the cost estimate?

17 A. \$227,386.01, depth is 1895.11. Permit

18 number is 4731 and then this well was drilled.

19 Q. Okay. And the...have you listed, at least

20 when you filed the application, as best as you...as best you

21 could from the information you've been able to obtain, all of

22 the folks...all of the respondents?

23 A. We...we attempted to, yes, we did.

24

1 Q. Okay. And...and given the information we've
2 obtained this morning, it looks like you got to the right
3 people. You just didn't have the last name correct.

4 A. That's right.

5 Q. Okay. And we're going to revise that?

6 A. That's correct.

7 Q. Did you also publish?

8 A. Yes, we did.

9 Q. Could you tell the Board both about the
10 certificates of mailing and publication?

11 A. We mailed certified mail, return receipt
12 April the 15th, 2005; published April the 25th, 2005 in the
13 Bluefield Daily Telegraph.

14 Q. And when you published, what did you
15 publish?

16 A. The notice of hearing and the location map.

17 Q. Okay. The...if you look at Exhibit A, page
18 two, would you tell the Board what interest you've been able
19 to acquire in this unit and what it is you're seeking to
20 pool?

21 A. Yes, we have 100% of the coal owner's claim
22 to CBM leased; and we have 99.65% of the oil and gas owner's
23 claim to coalbed methane leased. We're seeking to pool 0.35%
24

1 of the oil and gas owner's claim to coalbed methane.

2 Q. Okay. And with regard to the folks that you
3 have been able to obtain leases from, what...what are the
4 lease terms that you have offered those folks?

5 A. For a coalbed methane lease, it's a dollar
6 per acre per year, a five year paid up term with a one-eighth
7 production royalty.

8 Q. And have...have you told Mr. and Mrs.
9 Vandyke this morning that...assuming the title bears this
10 out, that you're certainly going to be offering them a lease
11 as well?

12 A. Yes.

13 Q. And are you requesting the Board on
14 pooling...if they'd like to pool this unit, that they would
15 incorporate those lease terms with regard to folks who might
16 be deemed to have been leased?

17 A. Yes, we would.

18 Q. Okay. Do you wish to add...other than what
19 we've talked about in terms of correcting the names today, do
20 you wish to add anybody today?

21 A. No.

22 Q. Do you wish to dismiss anybody today?

23 A. No.

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1 Q. Is the plan of development, which is
2 disclosed by the application and the exhibits, which is to
3 drill one frac well in the window of this unit, is that a
4 reasonable plan to develop the coalbed methane, in your
5 opinion?

6 A. Yes, it is.

7 Q. And if we combine the pooling order with the
8 leasing efforts that CNX is undertaking here, is that...or
9 will that, in your judgment, protect the correlative rights
10 of all owners and claimants to coalbed methane in this unit?

11 A. Yes, it will.

12 Q. Did you provide or file with Mr. Wilson your
13 proofs of mailing and publication?

14 A. Yes, we have.

15 MARK SWARTZ: That's all I have, Mr. Chairman.

16 BENNY WAMPLER: In your...you talked about Exhibit
17 B-3 as being corrected, you would also correct Exhibit E?

18 LESLIE K. ARRINGTON: Yes...yes, I will.

19 BENNY WAMPLER: And you would file that?

20 LESLIE K. ARRINGTON: Yes, sir.

21 BENNY WAMPLER: Also, an updated Exhibit C since
22 you drilled in 2001?

23 LESLIE K. ARRINGTON: Okay.

24

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1 BENNY WAMPLER: Any questions from members of the
2 Board?

3 BOB WILSON: Mr. Chairman.

4 BENNY WAMPLER: Mr. Wilson?

5 BOB WILSON: Just for clarification, there are
6 still unknown heirs, is that correct?

7 LESLIE K. ARRINGTON: Well, they...Mr. and Mrs.
8 Vandyke gave us some information. We will go to the
9 Court...have people go to the Courthouse and we'll see what
10 we can come up with. We...we don't know until we research
11 that information.

12 MARK SWARTZ: And what we were told this morning,
13 if it turns out that we can trace it through at the
14 Courthouse, is that the...we may be able to identify the
15 heirs because the title may have come back into more of a
16 unified position. What...what Mrs. Vandyke is telling us
17 that Noah M. Mitchell apparently acquired all of the interest
18 in the 169 acres. So we may turn up with a pretty simple
19 title. The problem we've had is that the Mitchell we've been
20 trying to trace it forward, there's two of them, and we just
21 couldn't get forward with it. So, we're going to have to
22 take the information that these folks gave us this morning
23 and go back and see if that pans out. If it does, obviously,

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1 we'll...we'll identify these people. If it doesn't, we're
2 still going to be where we are today. But we're optimistic.
3 They seem to, you know, be pretty on top of the issue.

4 SHARON PIGEON: So today, you need an Exhibit E?
5 MARK SWARTZ: Excuse me?
6 SHARON PIGEON: So today you still need an Exhibit
7 E for escrow?
8 MARK SWARTZ: Right.
9 SHARON PIGEON: Did you tell us about that?
10 MARK SWARTZ: Yeah, we've got an address unknown
11 that we need escrow for and we've got a conflict in this
12 title issue which is not resolved.

13 BENNY WAMPLER: Anything further?
14 MARK SWARTZ: No.
15 BENNY WAMPLER: Any further questions from members
16 of the Board?
17 (No audible response.)
18 BENNY WAMPLER: Is there a motion?
19 DENNIS GARBIS: Motion to approve.
20 JIM MCINTYRE: Second.
21 BENNY WAMPLER: Second. Any further discussion?
22 (No audible response.)
23 BENNY WAMPLER: All in favor, signify by saying
24

1 yes.

2 (All members signify by saying yes.)

3 BENNY WAMPLER: Opposed, say no.

4 (No audible response.)

5 BENNY WAMPLER: You have approval. Okay, for the
6 next item, I'm going to, at the request of Mr. Swartz,
7 combine seven, eight and nine on the Board's agenda.
8 Items...a petition from CNX Gas Company, LLC for pooling of
9 coalbed methane unit BA-122. That's docket number VGOB-05-
10 0517-1447; and BA-123, docket number VGOB-05-0517-1448; and
11 BE-111, docket number VGOB-05-0517-1449. We'd ask the
12 parties that wish to address the Board in these matters to
13 come forward at this time.

14 MARK SWARTZ: Mark Swartz and Les Arrington.

15 BENNY WAMPLER: The record will show no others.
16 You may proceed.

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1 LESLIE K. ARRINGTON

2 DIRECT EXAMINATION

3 QUESTIONS BY MR. SWARTZ:

4 Q. Mr. Arrington, could you state your name for
5 us, again?

6 A. Leslie K. Arrington.

7 MARK SWARTZ: Mr. Chairman, I'd like to incorporate
8 Mr. Arrington's testimony with regard to his employment, with
9 regard to CNX as an applicant and operator and with regard to
10 lease terms that they generally offer for coalbed methane
11 into this record from the first case.

12 BENNY WAMPLER: That will be incorporated.

13 Q. What...what kind of units are these three
14 units?

15 A. Middle Ridge.

16 Q. Okay. And they...if I'm not mistaken,
17 you're proposing to drill one well in each of these units?

18 A. Yes, we are.

19 Q. And that that would be a frac well?

20 A. Yes.

21 Q. And I believe in all three incidences, the
22 location that you're proposing for the well is actually in
23 the drilling window?

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1 A. Yes, it is.

2 Q. So, we're not dealing with any need for
3 exceptions here?

4 A. No.

5 Q. The...I also believe that the acreage in all
6 three of these units is the same, is that correct?

7 A. Yes, 58.74.

8 Q. Okay. With regard to two of the three cases
9 today, and we'll come back to that, but with regard to BA-122
10 and BA-123, there are amended exhibits?

11 A. Yes, it is.

12 Q. And why was that necessary?

13 A. Some of the interest have been leased.

14 Q. Okay. So, we're dismissing some of the
15 respondents, when get to the details of those units and we've
16 got to change some exhibits accordingly?

17 A. Correct.

18 Q. Okay. What did you do to notify people that
19 there was going to be a hearing with regard to these three
20 applications today?

21 A. In each one of these cases, it was mailed by
22 certified mail, return receipt on April the 15th, 2005. For
23 BA-122 it was published in the Bluefield Daily Telegraph on
24

1 April the 27th, 2005. For BA-123 it was April the 27th, 2005
2 in the Bluefield Daily Telegraph. BE-111 was published in
3 the Bluefield Daily Telegraph on April the 29th, 2005.

4 Q. Did you file with Mr. Wilson proofs
5 concerning publication and mailing?

6 A. Yes, we have.

7 Q. And when you published, what was it that was
8 published in the paper?

9 A. The notice of hearing and location exhibits.

10 Q. The big map?

11 A. Yes.

12 Q. Okay. With regard to...let's turn
13 specifically to BA-122 and the revised exhibits, okay?

14 A. Yes.

15 Q. We've got an Exhibit B-2 and in that exhibit
16 have you listed the folks that you would like to dismiss?

17 A. Yes, we have.

18 Q. Okay. And the reason is?

19 A. Each one of those individuals have been
20 leased.

21 Q. Okay. And you've actually shown that in a
22 column reason for dismissal?

23 A. Yes...yes, we have.

24

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1 Q. Then behind Exhibit B-2, with regard to BA-
2 122, is a revised Exhibit B-3, correct?
3 A. It is.
4 Q. Is the...is the revision here simply to
5 delete the names and percentages and addresses of the people
6 that you're dismissing?
7 A. Yes.
8 Q. We have...if you'll notice, there's a title
9 issue in Tract 1B---?
10 A. Yes, it is.
11 Q. ---which would require escrow?
12 A. Right.
13 Q. And there's also an address unknown in Tract
14 1B, which would require escrow?
15 A. It is. Yes, that's correct.
16 Q. Okay. And as we work through B-3, it looks
17 like other than conflict escrow and repeat of the problem we
18 just talked about in Tract 3I---?
19 A. Yes.
20 Q. ---which is a title issue and an address
21 unknown---?
22 A. Yes.
23 Q. ---there are no particular escrow
24

1 requirements?

2 A. Correct.

3 Q. Okay. The...if we look now at the revised
4 Exhibit A, page two, which is the last sheet in the revised
5 exhibits, what...would you summarize for the Board what
6 you've been able to acquire and what it is you're seeking to
7 pool?

8 A. We have leased 99.6063% of the coalbed
9 methane interest from the coal owner; and 36.0296% from the
10 oil and gas owner. We're seeking to pool 0.3937% of the coal
11 owner's claim to coalbed methane and 63.9704% of the oil and
12 gas owner's claim to coalbed methane.

13 Q. Have you provided a well cost estimate with
14 regard to BA-122?

15 A. We have. It was \$228,577.23 to a depth of
16 2528. Permit number is 6592.

17 Q. And you've provided an Exhibit E and Exhibit
18 EE, I Believe.

19 A. We have.

20 Q. Okay. What are the escrow requirements?
21 Now, we've already noted the title conflict and the address
22 unknown issue. Are there additional requirements for escrow?

23 A. Just that the conflict between the coal, oil
24

1 and gas owners.

2 Q. Okay. And those conflicts are in what
3 tracts?

4 A. Okay. Tracts for BA-122 is 1B, 1C, 1E, 1F,
5 1G, 1H, 3A, 3B, 3C, 3E, 3F, 3G, 3H, 3I and 4B.

6 Q. Okay. Then I also see an Exhibit EE, which
7 is an indication to the Board that certain people have
8 entered into royalty split agreements?

9 A. Yes, they have.

10 Q. What tracts do those effect?

11 A. 1A, 1D, 1I, 3D and 3E.

12 Q. And with regard to the tracts in which folks
13 have split agreements, are you requesting that the Board
14 order allow the designated operator pay them directly rather
15 than escrowing their royalties?

16 A. Yes, we are.

17 Q. Okay. Turning to BA-123, that also has
18 revised exhibits, correct?

19 A. Yes, it does.

20 Q. And if we look at Exhibit B-2, does that
21 explain why you needed revised exhibits?

22 A. Yes, it does.

23 Q. And why is that?

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1 A. All those interests have been leased.

2 Q. And so you're asking the Board in its order
3 to dismiss the folks that are listed on B-2 as respondents
4 because you've got leases?

5 A. Correct.

6 Q. Okay. B-2 is followed immediately by a
7 revised Exhibit B-3, is that correct?

8 A. Correct.

9 Q. Is the only difference between the original
10 B-3 that was filed with the application and this revised
11 Exhibit B-3, the deletion of the folks listed on B-2 that
12 you've leased?

13 A. Yes, it is.

14 Q. Okay. Then continuing on, we have a revised
15 Exhibit A, page two, which we've already referred to.

16 A. Yes.

17 Q. And the reason the percentages have changed
18 is because you've acquired more interest and your acquired
19 interest has gone up and your need to pool has gone down?

20 A. Yes.

21 Q. With regard to BA-123, have you...have you
22 done a well cost estimate?

23 A. Yes.

24

1 Q. And what's that?

2 A. \$227,617.22 to a depth of 2495. The permit
3 number is 6590.

4 Q. Okay. What's the situation with regard to
5 escrow here? Is it required?

6 A. Yes, it is.

7 Q. For conflicts?

8 A. Yes, Tract 1A and 1B.

9 Q. Okay. And are there any tracts that have
10 people who have entered into split agreements?

11 A. Yes, Tract 1A.

12 Q. And with regard to the folks who are
13 identified in Exhibit EE and are in Tract 1A, is it your
14 request that any Board order allow you to pay them directly
15 pursuant to the terms of their split agreement instead of
16 escrowing their share?

17 A. Yes.

18 Q. With regard now to the last Middle Ridge
19 unit that we're going to be talking about---?

20 BENNY WAMPLER: Before you leave that, would you
21 just go ahead for the record and have him state the number
22 that's on that Exhibit A, page two. I believe you just
23 referred to it and didn't say what they are.

24

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1 A. We have leased 95.7916% of the coal owner's
2 claim and 70.1872% of the oil and gas owner's claim. We're
3 seeking to pool 4.2084% of the coal owner's claim; and
4 29.8128% of the oil and gas owner's claim.

5 Q. And those numbers all reflect the dismissals
6 that you're requesting in B...B-2?

7 A. They do.

8 Q. Okay. Turn to BE-111, now this one, we do
9 not have revised exhibits?

10 A. No.

11 Q. So what they got in the beginning is what
12 we're...what we're going with today?

13 A. Yes.

14 Q. And this involves Mr. Fred Gent that we've
15 seen many times?

16 A. Yes.

17 Q. Remind the Board, with regard to his
18 position that he has expressed to you, concerning whether or
19 not he's willing to be pooled, leased or whatever?

20 A. Yes. He has...in all instances, he has
21 elected to be a carried operator.

22 Q. And he has no objection to this pooling
23 application?

24

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1 A. No.

2 Q. And based on his prior performance, you

3 expect him to do what?

4 A. To be a carried operator.

5 Q. Okay. What did you do to let Mr. Gent know

6 about the hearing today?

7 A. We mailed to him on...by certified mail on

8 April the 15th, 2005. Again, it was published in the

9 Bluefield Daily Telegraph.

10 Q. And did you file the proof of mailing with

11 Mr. Wilson and the publication proof as well?

12 A. Yes...yes, we have.

13 Q. Okay. What...what are you seeking to pool

14 here and what have you acquired?

15 A. We've acquired 99.7957% of the coal owner's

16 claim to the coalbed methane, 98.8461% of the oil and gas

17 owner's claim to coalbed methane. We're seeking to pool

18 0.2043% of the coal owner's claim to coalbed methane and

19 1.1539% of the oil and gas owner's claim to coalbed methane.

20 Q. And have you done a well estimate?

21 A. Yes, we have. It's \$231,957.48 to a depth

22 of 2689. The permit number is 6669.

23 Q. And this unit doesn't require escrow?

24

1 A. No.

2 Q. With regard to these three Middle Ridge
3 units, is it your opinion that the plan of development
4 disclosed by the applications, which is to drill one frac
5 well in the drilling window in each of these units, is a
6 reasonable plan to develop the coalbed methane under these
7 units?

8 A. Yes, it is.

9 Q. Is it also your opinion that if you take
10 your leasing efforts of the applicant, CNX, and combine that
11 with a Board pooling order, the correlative rights and the
12 interests of all claimants and owners to the coalbed methane
13 will be protected?

14 A. Yes, it will.

15 MARK SWARTZ: That's all I have.

16 BENNY WAMPLER: Questions from members of the
17 Board? Is there a motion?

18 JIM MCINTYRE: So moved.

19 BENNY WAMPLER: Motion. Is there a second?

20 DONALD RATLIFF: Second.

21 BENNY WAMPLER: Motion is second. Any further
22 discussion?

23 (No audible response.)

24

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1 BENNY WAMPLER: All in favor, signify by saying
2 yes.
3 (All members signify by saying yes.)
4 BENNY WAMPLER: Opposed, say no.
5 (No audible response.)
6 BENNY WAMPLER: You have approval.
7 MARK SWARTZ: Thank you.
8 BENNY WAMPLER: Thank you. Do you need a break or
9 keep rolling?
10 (No audible response.)
11 BENNY WAMPLER: Keep rolling?
12 (No audible response.)
13 BENNY WAMPLER: The next item on the agenda is a
14 petition from Equitable Production Company for a well
15 location exception for proposed well V-505254. This docket
16 number VGOB-05-0517-1450. We'd ask the parties that wish to
17 address the Board in this matter to come forward at this
18 time.
19 JIM KAISER: Mr. Chairman and members of the Board,
20 Jim Kaiser and Don Hall on behalf of Equitable Production
21 Company. We'd ask that Mr. Hall be sworn at this time.
22 BENNY WAMPLER: He has been previously sworn.
23 JIM KAISER: Oh, yeah.
24

1 BENNY WAMPLER: I'll just remind him he's under
2 oath. Do you have any housekeeping with any of your agenda
3 items?

4 JIM KAISER: No. They're all a go.

5 BENNY WAMPLER: Okay. The record will show there
6 are no others. You may proceed.

7 JIM KAISER: We have an exhibit that we'll pass out
8 before we begin our testimony.

9 (Jim Kaiser passes out an exhibit.)

10 JIM KAISER: Docket item 1450 is a location
11 exception that we're seeking for well V-505254. The next
12 item on the docket will be a force pooling on the same well.

13

14 DON HALL

15 having been duly sworn, was examined and testified as
16 follows:

17 DIRECT EXAMINATION

18 QUESTIONS BY MR. KAISER:

19 Q. Mr. Hall, if you'd state your name for the
20 Board, who you're employed by and in what capacity?

21 A. My name is Don Hall. I'm employed by
22 Equitable Production Company as District Landman.

23 Q. And do your responsibilities include the

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1 land involved in this unit and in the surrounding area?

2 A. They do.

3 Q. Are you familiar with the application we
4 filed seeking a location exception for well V-505254?

5 A. Yes.

6 Q. And have all interested parties been
7 notified as required by Section 4B of the Virginia Gas and
8 Oil Board regulations?

9 A. They have.

10 Q. Could you indicate for the Board, at this
11 time, the ownership of the oil and gas underlying the unit
12 for well number V-505254?

13 A. Pine Mountain Oil and Gas owns 49.54%, Denny
14 and Louise Sutherland et als own 26.24% and June Taylor et
15 als own 24.22%.

16 Q. Okay. Now, your exhibit shows several
17 wells, but we're only seeking an exception from...I believe
18 from EH-37. Could you explain Equitable's relationship to
19 that well?

20 A. EH-37 is an old Virginia Gas well, which now
21 belongs to Appalachian Energy. When that well was drilled,
22 we had partnership interest in that well. As a matter of a
23 fact, when that well was drilled, it required a location

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1 exception from another well of ours. But, anyway, that
2 currently is an Appalachian Energy well, and we have...we get
3 into the force pooling, we have an assignment from them for
4 their interest in some of the acreage. It takes in this
5 5254. But the other two wells are Equitable wells.

6 Q. Okay. And Frank Henderson, who will be here
7 later today and is the principal of Appalachian Energy, has
8 been notified about this location exception and is on board
9 with it?

10 A. Yes.

11 Q. Okay. Now, could you explain for the Board,
12 in conjunction with the exhibit that we just passed out,
13 different reasons why need this location exception?

14 A. Well, the three wells adjoining it, even
15 though I have two on there that are not...we're not getting
16 an exception from, it's to show them in relation to where the
17 well is from the one we are getting an exception from. The
18 circles that you see around those wells indicate 2500 foot
19 spacing. So, the area that's void in between the wells just
20 to the west of where 5254 is located, would be an area in
21 which we could...which we could get a location that would be
22 2500 feet from all those wells. The problem there is along
23 the road coming up in there, it's a drop off. It's steep on

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1 the west side of the road coming through there. So,
2 there's...the only place we could get off the road through
3 there would be down there where you see the house, which is
4 now a trailer, and we couldn't get off there because they
5 used any potential ability to get off in there. Of course,
6 the hillside in there is about 50% sloped in that particular
7 area anyway. Then if you look a little further to the west,
8 you see a long ridge coming down through there, which could
9 be suitable to get a location on. But it's...there's no way
10 to get a rig into that using the existing roads. If you come
11 down the rocky...Rock Lick Branch, there's a switchback in
12 the road that we can't get our rig around. If you come up
13 the road from 5254, there's another switchback up there that
14 it wouldn't be possible to get a rig around. The roads
15 themselves are difficult to move large equipment on. So, the
16 location that we've chosen there is the most suitable
17 location as far as we're concerned. Of course, that location
18 has also been approved by the coal company at that spot.

19 JIM KAISER: Mr. Chairman, it might be a good time,
20 while we're talking about the exhibit before I go on with the
21 rest of Mr. Hall's testimony, to see if there's any
22 questions.

23 BENNY WAMPLER: Any questions from members of the
24

1 Board?

2 (No audible response.)

3 BENNY WAMPLER: Continue.

4 Q. Mr. Hall, in the event this location
5 exception were not granted, would you project the estimated
6 loss of reserves resulting in waste?

7 A. 500 million cubic feet.

8 Q. And what is the total depth of this proposed
9 well?

10 A. 6,029 feet.

11 Q. Will this be sufficient to penetrate and
12 tests the common sources as supplied in the subject
13 formations?

14 A. Yes.

15 Q. And is the applicant requesting that this
16 location exception cover convention gas reserves to include
17 the designated formations from the surface to the total depth
18 drilled?

19 A. We are.

20 Q. In your opinion, would the granting of this
21 location exception be in the best interest of preventing
22 waste, protecting correlative rights and maximizing the
23 recovery of the gas reserves underlying the unit for V-

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1 505254?

2 A. Yes.

3 JIM KAISER: Nothing further of this witness at
4 this time, Mr. Chairman.

5 BENNY WAMPLER: Questions from members of the
6 Board?

7 (No audible response.)

8 BENNY WAMPLER: Do you have anything further, Mr.
9 Kaiser?

10 JIM KAISER: We'd ask that the application be
11 approved as submitted, Mr. Chairman.

12 BENNY WAMPLER: Is there a motion?

13 JIM MCINTYRE: Motion to approve.

14 DENNIS GARBIS: Second.

15 BENNY WAMPLER: Second. Any further discussion?
16 (No audible response.)

17 BENNY WAMPLER: All in favor, signify by saying
18 yes.

19 (All members signify by saying yes.)

20 BENNY WAMPLER: Opposed, say no.

21 (No audible response.)

22 BENNY WAMPLER: You have approval. The next item
23 on the agenda is a petition from Equitable Production Company
24

1 for creation and pooling of conventional gas unit V-505254,
2 docket number VGOB-05-0517-1451. We'd ask the parties that
3 wish to address the Board in this matter to come forward at
4 this time.

5 JIM KAISER: Mr. Chairman and Board members, Jim
6 Kaiser and Don Hall, again, on behalf of Equitable Production
7 Company. We've got a revised...this is a thirty-one page
8 exhibit. We've got one revision to it. So, we're just
9 handing out, rather than regiving you thirty-one pages, we're
10 just giving you the corrected page, page fifteen, which
11 corrects the address for June Taylor, who's a leased party.

12 (Don Hall passes out the exhibit.)

13 JIM KAISER: That's the only change in the
14 exhibits?

15 DON HALL: That's correct.

16 BENNY WAMPLER: The record will show no others.
17 You may proceed.

18

19 DON HALL

20 DIRECT EXAMINATION

21 QUESTIONS BY MR. KAISER:

22 Q. Mr. Hall, again, who you are employed by and
23 in what capacity?

24

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1 A. I'm employed by Equitable Production Company
2 as District Landman.

3 Q. And do your responsibility include the land
4 involved in this unit and in the surrounding area?

5 A. It does.

6 Q. And you're familiar with Equitable's
7 application seeking both the establishment of the unit and
8 pooling of any unleased interest for well V-505254, which was
9 dated April the 15th, 2005?

10 A. Yes.

11 Q. Is Equitable seeking to force pool the
12 drilling rights underlying the unit as depicted at Exhibit A
13 to the application, that being the well plat?

14 A. We are.

15 Q. Does Equitable own drilling rights in the
16 unit involved here?

17 A. Yes.

18 Q. And prior to the filing of the application,
19 were efforts made to contact each of the respondents listed
20 in Exhibit B and an attempt made out...an attempt made to
21 work out a voluntary lease agreement?

22 A. Yes.

23 Q. What is the interest of Equitable under
24

1 lease in the unit?

2 A. We have 72.273054% leased.

3 Q. And are all the unleased parties set out in
4 our Exhibit B-3?

5 A. Yes.

6 Q. Are you familiar with the ownership of
7 drilling rights of parties other than Equitable underlying
8 this unit?

9 A. Yes.

10 Q. And what percentage of the unit is unleased?

11 A. 27.726946%.

12 Q. Now, we do have some unknown interest owners
13 within this unit, is that correct?

14 A. That's correct.

15 Q. Were reasonable and diligent efforts made
16 and sources checked to identify and locate any unknown heirs
17 or interest owners include primary sources such as deed
18 records, probate records, assessor's records, treasurer's
19 records and secondary sources such as telephone directories,
20 city directories, family and friends?

21 A. Yes.

22 Q. In your opinion, was professional...in your
23 professional opinion, was due diligence exercised to locate
24

1 each of the respondents?

2 A. Yes.

3 Q. Are the addresses set out in Exhibit B with
4 the corrected page fifteen, the last known addresses for the
5 respondents?

6 A. They are.

7 Q. Are you requesting that the Board force pool
8 all unleased interest as listed at Exhibit B-3?

9 A. Yes.

10 Q. Are you familiar with the fair market value
11 of drilling rights in this unit and in the surrounding area?

12 A. Yes.

13 Q. Could you advise the Board as to what those
14 are?

15 A. We pay a \$5 bonus on a five year term with a
16 one-eighth royalty.

17 Q. In your opinion, do the terms you just
18 testified to represent the fair market value of and the fair
19 and reasonable compensation to be paid for drilling rights
20 within this unit?

21 A. They do.

22 Q. Now, based on that testimony as to the
23 parties or respondents who have not voluntarily agreed to
24

1 lease and are listed at Exhibit B-3, do you agree that they
2 be allowed the following statutory options with respect to
3 their ownership interest within the unit: 1) participation;
4 2) a cash bonus of five dollars per net mineral acre plus a
5 one-eighth of eight-eighths royalty; 3) in lieu of a cash
6 bonus and one-eighth of eight-eighths royalty share in the
7 operation of the well on a carried basis as a carried
8 operator under the following conditions: such carried
9 operator should be entitled to the share of production from
10 the tracts pooled accruing to his interest exclusive of any
11 royalty or overriding royalty reserved in any leases or
12 assignments thereof or agreement relating thereto of such
13 tracts, but only after the proceeds applicable to his share
14 equal (A) 300% of the share of such costs applicable to the
15 interest of a carried operator of a leased tract or portion
16 thereof; or (B) 200% of the share of such costs applicable to
17 the interest of the carried operator of an unleased tract or
18 portion thereof?

19 A. Yes.

20 Q. Do you recommend that the order provide that
21 elections by respondents be in writing and sent to the
22 applicant at Equitable Production Company, 1710 Pennsylvania
23 Avenue, Charleston, West Virginia 25302, Attention: Melanie

24

--

1 Freeman, Regulatory?

2 A. Yes.

3 Q. Should this be the address for all the
4 communications with the applicant concerning any force
5 pooling order?

6 A. It should.

7 Q. Do you recommend that the order provide that
8 if no written election is properly made by a respondent, then
9 such a respondent should be deemed to have elected the cash
10 royalty option in lieu of participation?

11 A. Yes.

12 Q. Should unleased respondents be given 30 days
13 from the date that they receive the recorded Board order to
14 file their written elections?

15 A. They should.

16 Q. If an unleased respondent elects to
17 participate, should they be given 45 days to pay for their
18 proportionate share of well costs?

19 A. Yes.

20 Q. Does the applicant expect any party electing
21 to participate to pay in advance that party's share of
22 completed well costs?

23 A. Yes.

24

--

1 Q. Should the applicant be allowed 120 days
2 following the recordation date of the Board and thereafter,
3 annually on that date until production is achieved to pay or
4 tender any cash bonus becoming due under the force pooling
5 order?

6 A. Yes.

7 Q. Do you recommend that the order provide that
8 if a respondent elects to participate but fails to pay their
9 proportionate share of well costs, then the respondents
10 election to participate should be treated as having been
11 withdrawn and void and such respondent should be treated just
12 as if no initial election had been made, in other words,
13 deemed to have leased?

14 A. Yes.

15 Q. Do you recommend that the order provide that
16 where a respondent elects to participate, but defaults in
17 regard to payment of well costs, any cash sum becoming
18 payable to that respondent be paid within sixty days after
19 the last date on which...on which such respondent could have
20 paid or made satisfactory arrangement for the payment of well
21 costs?

22 A. Yes.

23 Q. Okay, we do have an Exhibit E---.

24

--

1 A. Yes.

2 Q. ---that we filed with the application that
3 represents our unknown interest. So, the Board does need to
4 create a escrow account for those unknown interests and that
5 would involve Tract 1, Tract 4...just Tracts 1 and 4, is that
6 correct?

7 A. That's correct.

8 Q. And who should be named the operator under
9 any force pooling order?

10 A. Equitable Production Company.

11 Q. And what is the total depth of the proposed
12 well?

13 A. 6,029 feet.

14 Q. And the estimated reserves for the unit?

15 A. 500 million.

16 Q. Are you familiar with the proposed costs?

17 A. Yes.

18 Q. Has an AFE been reviewed, signed and
19 submitted to the Board as Exhibit C to the application?

20 A. Yes.

21 Q. In your professional opinion, does it
22 represent a reasonable estimate of the well costs?

23 A. It does.

24

1 Q. Would you state for the Board both the dry
2 hole costs and complete well costs?

3 A. Dry hole costs are \$250,243 and the
4 completed well costs are \$495,892.

5 Q. Do these costs anticipate a multiple
6 completion?

7 A. Yes.

8 Q. Does your AFE include a reasonable charge
9 for supervision?

10 A. It does.

11 Q. In your professional opinion, would the
12 granting of this application be in the best interest of
13 conservation, the prevention of waste and the protection of
14 correlative rights?

15 A. Yes.

16 JIM KAISER: Nothing further of this witness, Mr.
17 Chairman.

18 BENNY WAMPLER: Why do you have so many unknowns in
19 this application?

20 DON HALL: We've spent well over a year working on
21 this. We've even spent time...these same people were
22 included in a force pooling that Virginia Gas did, which is
23 now Appalachian Energy. We've gone through their files

24

--

1 locating people. We just...these are people we just haven't
2 been able to locate. We've...we've spent a great deal of
3 time trying to put this together. Well, actually, we've come
4 up with a few more people than Virginia Gas did. I don't
5 know, it's probably been eight or nine years ago that they
6 did their force pooling. But we did find some additional
7 people besides them. There's just a heck of a lot of people
8 involved in this, a big heirship.

9 BENNY WAMPLER: Other questions from members of the
10 Board?

11 (No audible response.)

12 BENNY WAMPLER: Do you have anything further?

13 JIM KAISER: Mr. Chairman, we'd ask that the
14 application be approved as submitted.

15 BENNY WAMPLER: Is there a motion?

16 DENNIS GARBIS AND JAMES MCINTYRE: Motion to
17 approve.

18 BENNY WAMPLER: Motion to approve. Second?

19 JIM MCINTYRE: Second.

20 BENNY WAMPLER: All in favor, signify by saying
21 yes.

22 (All members signify by saying yes, but Donald
23 Ratliff.)

24

--

1 BENNY WAMPLER: Opposed, say no.

2 DONALD RATLIFF: I'll abstain, Mr. Chairman.

3 BENNY WAMPLER: One abstention from Mr. Ratliff.

4 You have approval. The next item on the agenda is a petition

5 from Equitable Production Company for pooling of coalbed

6 methane unit VC-505217, docket number VGOB-05-0517-1452.

7 We'd ask the parties that wish to address the Board in this

8 matter to come forward at this time. State your name for the

9 record, please.

10 HOWARD ANDERSON: Howard Anderson.

11 (Howard Anderson is duly sworn.)

12 BENNY WAMPLER: Go ahead and state your all's name

13 for the record, Mr. Kaiser.

14 JIM KAISER: Again, Mr. Chairman and Board members,

15 it will be Jim Kaiser and Don Hall on behalf of Equitable

16 Production Company.

17 BENNY WAMPLER: You may proceed.

18

19 DON HALL

20 DIRECT EXAMINATION

21 QUESTIONS BY MR. KAISER:

22 Q. Mr. Hall, are you familiar with Equitable's

23 application seeking to pool any unleased interest in the unit

24

1 for EPC well number VC-505217, which was dated April the
2 15th, 2005?

3 A. Yes.

4 Q. And does Equitable own drilling rights in
5 the unit involved here?

6 A. We do.

7 Q. And prior to filing the application, were
8 efforts made to contact each of the respondents in the unit
9 and an attempt made to work out a voluntary lease agreement?

10 A. Yes.

11 Q. And what is the interest of Equitable in the
12 gas estate in the unit?

13 A. We have a 100% leased in the gas estate.

14 Q. And in the coal estate?

15 A. We have 86.54% leased.

16 Q. And are all unleased parties set out in
17 Exhibit B-3?

18 A. They are.

19 Q. Are you familiar with the ownership of
20 drilling rights of parties other than Equitable underlying
21 this unit?

22 A. Yes.

23 Q. And what interest remains unleased in the
24

1 coal estate?

2 A. 13.46%.

3 Q. We don't have any unknown respondents in
4 this particular petition?

5 A. No.

6 Q. Are the addresses set out in Exhibit B to
7 the application, the last known addresses for the
8 respondents?

9 A. Yes.

10 Q. Are you requesting this Board to force pool
11 all unleased interest as listed at our Exhibit B-3?

12 A. We are.

13 Q. Again, are you familiar with the fair market
14 value of drilling rights in this unit and in the surrounding
15 area?

16 A. Yes.

17 Q. Again, advise the Board as to what those
18 are?

19 A. We pay a five dollar bonus on a five year
20 term with a one-eighth royalty.

21 Q. And, in your opinion, do the terms you just
22 testified to represent the fair market value of and the fair
23 reasonable compensation to be paid for drilling rights within
24

1 this unit?

2 A. Yes.

3 JIM KAISER: Mr. Chairman, with Mr. Anderson's
4 blessing, I've talked to him out in the hall about what it is
5 he and his uncle and aunt want, and the only reason I'm
6 saying this is because it involves the statutory election
7 options. If I could, I would like to incorporate the
8 testimony that was previously taken from docket item 05-0517-
9 1451 and incorporate it for purposes of this hearing.

10 BENNY WAMPLER: That will be incorporated.

11 Q. Let's see, we've got conflicting claimants,
12 don't we?

13 A. No.

14 Q. No?

15 A. No.

16 Q. We don't have any conflicting claimants?

17 A. No.

18 Q. No unknown owners. So, we do not need...the
19 Board does not need to establish an escrow account?

20 A. That's correct.

21 Q. Okay. And who should be named the operator
22 under any force pooling order?

23 A. Equitable Production Company.

24

--

1 Q. And the total depth of the proposed well?
2 A. 1643 feet.
3 Q. Are you familiar with the...and what are the
4 estimated reserves for the unit?
5 A. 400 million cubic feet.
6 Q. Are you familiar with the well costs?
7 A. Yes.
8 Q. Has an AFE been reviewed, signed and
9 submitted to the Board as Exhibit C?
10 A. Yes.
11 Q. Was this AFE prepared by an engineering
12 department knowledgeable in regard to well costs in this
13 particular area?
14 A. Yes.
15 Q. Does it represent, in your professional
16 opinion, a reasonable estimate of the well costs?
17 A. It does.
18 Q. Could you state for the Board what those
19 are?
20 A. Dry hole costs is a \$109,976 and the
21 completed well costs is \$264,728.
22 Q. Do these costs anticipate a multiple
23 completion?
24

1 A. They do.

2 Q. Does your AFE include a reasonable charge
3 for supervision?

4 A. Yes.

5 Q. In your professional opinion, would the
6 granting of this application be in the best interest of
7 conservation, the prevention of waste and the protection of
8 correlative rights?

9 A. Yes.

10 JIM KAISER: Nothing further of this witness at
11 this time, Mr. Chairman.

12 BENNY WAMPLER: Questions from members of the Board
13 of this witness?

14 (No audible response.)

15 BENNY WAMPLER: Do you have any questions, Mr.
16 Anderson, or comments?

17 HOWARD ANDERSON: No, sir, I believe...I don't have
18 anything at this time.

19 JIM KAISER: He had some questions about, you know,
20 what might be the best way for them---.

21 HOWARD ANDERSON: I was...I was here mostly for
22 informational purposes. My uncle and aunt---.

23 BENNY WAMPLER: Do you think you got---?

24

1 HOWARD ANDERSON: Yes, sir. I think...I think Mr.
2 Kaiser has answered those to my satisfaction.

3 BENNY WAMPLER: Okay. Very good. Do you have
4 anything further, Mr. Kaiser?

5 JIM KAISER: We'd ask that the application be
6 approved as submitted, Mr. Chairman.

7 BENNY WAMPLER: Is there a motion?

8 DENNIS GARBIS: Motion to approve.

9 JIM McINTYRE: Second.

10 BENNY WAMPLER: Second. Any further discussion?
11 (No audible response.)

12 BENNY WAMPLER: All in favor, signify by saying
13 yes.

14 (All members signify by saying yes, but Mr.
15 Ratliff.)

16 BENNY WAMPLER: Opposed, say no.

17 DONALD RATLIFF: I abstain, Mr. Chairman.

18 BENNY WAMPLER: One abstention, Mr. Ratliff. You
19 have approval. Thank you very much.

20 BENNY WAMPLER: We'll take a ten minute break.
21 (Break.)

22 BENNY WAMPLER: Okay, the next item on the agenda
23 is a petition from Equitable Production Company for pooling
24

1 of coalbed methane unit VC-504658. This is docket number
2 VGOB-05-0517-1453. We'd ask the parties that wish to address
3 the Board in this matter to come forward at this time.

4 JIM KAISER: Mr. Chairman and members of the Board,
5 again, Jim Kaiser and Don Hall on behalf of Equitable
6 Production Company. We have passed out a revised Exhibit to
7 you, which reflects since the filing of the application the
8 addition of a lease for Tract 5 from the Dickenson County
9 Board of Supervisors, which leaves us with just Tract 2 being
10 unleased, a very small percentage. The guy is a cross
11 country truck driver and we haven't been able to get him to
12 sign anything. With that being said, I guess I'll start
13 again with Mr. Hall. Of course, the revised exhibits reflect
14 that additional lease. We've added a B-2 because of that,
15 obviously, where we're dismissing the Dickenson County Board
16 of Supervisors as a party to the hearing.

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DON HALL

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Hall, are you familiar with the application we filed seeking to pool any unleased interest in the unit for EPC well number VC-504658, which, again, was dated April the 15th, 2005?

A. Yes.

Q. And does Equitable own drilling rights in the unit here?

A. We do.

Q. And prior to filing the application, were efforts made to contact each of the respondents and an attempt made to work out a voluntary lease agreement?

A. Yes.

Q. Now, I'm just kind of going over the revised B and B-3. As of now...as of right now at the hearing, could you state the percentage of the gas estate that under lease to Equitable?

A. We have 99.78% under lease at this point.

Q. And the interest in the CBM estate?

A. 100%.

Q. And is the one unleased party set out at the

1 revised Exhibit B-3?

2 A. Yes.

3 Q. And then that reflects that the .22% of the
4 gas estate under the unit remains unleased?

5 A. That's correct.

6 Q. We don't have any unknown interest owners in
7 this unit?

8 A. No.

9 Q. Are the addresses set out in our revised
10 Exhibit B to the application, the last known addresses for
11 the respondents?

12 A. They are.

13 Q. Are you requesting this Board to force pool
14 the one unleased interest as listed at revised Exhibit B-3?

15 A. Yes.

16 Q. Again, are you familiar with the fair market
17 value of drilling rights in this unit and in the surrounding
18 area?

19 A. Yes.

20 Q. Again, could you advise the Board as to what
21 those are?

22 A. Five dollar bonus on a five year term with a
23 one-eighth royalty.

24

1 Q. In your professional opinion, do the terms
2 you just testified to represent the fair market value of and
3 the fair reasonable compensation to be paid for drilling
4 rights within this unit?

5 A. They do.

6 JIM KAISER: Mr. Chairman, at this time, again, I'
7 like to incorporate the testimony regarding the statutory
8 election options afforded any unleased parties that was
9 previously taken in 05-0517-1451.

10 BENNY WAMPLER: That will be incorporated.

11 Q. Mr. Hall, we do have a conflicting claim
12 under Tract 2, is that correct?

13 A. That's correct.

14 Q. So, we do need the Board to establish an
15 escrow account for the purposes of any proceeds attributable
16 to Tract 2?

17 A. Yes. The...the revised exhibits that I just
18 handed out, did not have a copy of the Exhibit EE attached.
19 It's attached to the application. Since there wasn't any
20 change in it, I didn't include it in the revised exhibits.
21 But it is a part of the application.

22 Q. You mean just E and not EE?

23 A. E, yes, I'm sorry.

24

--

1 Q. And who should be named the operator under
2 any pooling order?

3 A. Equitable Production Company.

4 Q. And the total depth of the proposed well?

5 A. It's 2461 feet.

6 Q. Estimated reserves for the unit?

7 A. 300 million cubic feet.

8 Q. Are you familiar with the costs for this
9 well?

10 A. Yes.

11 Q. Has an AFE been reviewed, signed and
12 submitted to the Board as Exhibit C to the application?

13 A. It has.

14 Q. In your opinion, does this AFE represent a
15 reasonable estimate of the well costs?

16 A. It does.

17 Q. Could you state both the dry hole costs and
18 complete well costs for the Board?

19 A. \$120,201 for the dry hole costs and the
20 completed well costs is \$269,419.

21 Q. Do these costs anticipate a multiple
22 completion?

23 A. They do.

24

1 Q. Does your AFE include a reasonable charge
2 for supervision?

3 A. Yes.

4 Q. In your professional opinion, would the
5 granting of this application be in the best interest of
6 conservation, the prevention of waste and the protection of
7 correlative rights?

8 A. Yes.

9 JIM KAISER: Nothing further of this witness at
10 this time, Mr. Chairman.

11 BENNY WAMPLER: Questions from members of the Board
12 of this witness?

13 (No audible response.)

14 BENNY WAMPLER: Do you have anything further?

15 JIM KAISER: We'd ask that the application be
16 approved with the revised set of exhibits.

17 BENNY WAMPLER: Is there a motion?

18 JIM McINTYRE: Motion to approve.

19 DENNIS GARBIS: Second.

20 BENNY WAMPLER: Motion is second. Any further
21 discussion?

22 (No audible response.)

23 BENNY WAMPLER: All in favor, signify by saying
24

1 yes.

2 (All members signify by saying yes, but Donald

3 Ratliff.)

4 BENNY WAMPLER: Opposed, say no.

5 DONALD RATLIFF: I'll abstain, Mr. Chairman.

6 BENNY WAMPLER: One abstention, Mr. Ratliff. You

7 have approval. The next item on the agenda is a petition

8 from Equitable Production Company for creation and pooling of

9 conventional gas unit V-502365. This is docket number VGOB-

10 05-0517-1454. We'd ask the parties that wish to address the

11 Board in this matter to come forward at this time.

12 JIM KAISER: Mr. Chairman, again, Jim Kaiser and

13 Don Hall on behalf of Equitable Production Company. We,

14 again, have some revised exhibits. This is just a B this

15 time, isn't it?

16 DON HALL: Yes.

17 JIM KAISER: Just a revised B and it's for an

18 address change only.

19 (Don Hall passes out the revised exhibit.)

20 BENNY WAMPLER: The record will show no others.

21 You may proceed.

22

23 DON HALL

24

1 DIRECT EXAMINATION

2 QUESTIONS BY MR. KAISER:

3 Q. Mr. Hall, you're familiar with our
4 application seeking to establish a drilling unit and pool any
5 unleased interest in the unit for...underlying the well
6 number V-502365, which was dated April the 15th, 2005?

7 A. Yes.

8 Q. And prior to filing the application, were
9 efforts made to contact each of the respondents listed in
10 Exhibit B and an attempt made to get a voluntary lease from
11 them?

12 A. They were.

13 Q. Okay. And what is the interest that
14 Equitable has under lease in the unit?

15 A. We have a 97.74%.

16 Q. That represents all the interest with the
17 exception of Tract 4?

18 A. That's correct.

19 Q. Okay. And the percentage that remains
20 unleased at this time 2.26%?

21 A. That's correct.

22 Q. Okay. And are all the unleased parties set
23 out at Exhibit B-3?

24

--

1 A. They are.

2 Q. And we don't...again, we don't have any
3 unknown interest owners within this unit?

4 A. No.

5 Q. Are the addresses set out in the revised
6 Exhibit B are the last known addresses for the respondents,
7 right?

8 A. That's correct.

9 Q. And are you requesting the Board to force
10 pool all unleased interest, that being the interest in Tract
11 4, as listed at Exhibit B-3?

12 A. Yes.

13 Q. Again, are you familiar with the fair market
14 value of drilling rights in the unit here and in the
15 surrounding area?

16 A. Yes.

17 Q. Again, advise the Board as to what those
18 are?

19 A. A five dollar year...a five dollar bonus, a
20 five year term with a one-eighth royalty.

21 Q. And, in your opinion, do the terms you just
22 testified to represent the fair market value of and the fair
23 reasonable compensation to be paid for drilling rights within
24

1 this unit?

2 A. They do.

3 JIM KAISER: Again, Mr. Chairman, I'd ask that the
4 testimony previously incorporated be incorporated again.

5 BENNY WAMPLER: That will be incorporated.

6 Q. Now, Mr. Hall, we do not need the Board to
7 establish an escrow account for this particular unit or for
8 this particular well?

9 A. That's correct.

10 Q. And who should be named the operator under
11 the force pooling order?

12 A. Equitable Production Company.

13 Q. And the total depth for this well?

14 A. 5,070 feet.

15 Q. And is the applicant requesting the force
16 pooling of conventional gas reserves, not only to include
17 designated formations in the application, but any other
18 formations excluding coal formations, which may be between
19 those formations designated from the surface to the total
20 depth drilled?

21 A. Yes.

22 Q. The estimated reserves for this unit?

23 A. 300 million cubic feet.

24

1 Q. Are you familiar with these well costs?
2 A. Yes.
3 Q. Has an AFE been reviewed, signed and
4 submitted to the Board as Exhibit C?
5 A. It has.
6 Q. Does this AFE, in your professional opinion,
7 represent a reasonable estimate of the well costs?
8 A. It does.
9 Q. Could you state what the dry hole costs and
10 completed well costs for this well?
11 A. Dry hole costs is \$219,223 and the completed
12 well costs is \$362,757.
13 Q. Do these costs anticipate a multiple
14 completion?
15 A. They do.
16 Q. Does your AFE include a reasonable charge
17 for supervision?
18 A. Yes.
19 Q. In your professional opinion, would the
20 granting of this application be in the best interest of
21 conservation, the prevention of waste and the protection of
22 correlative rights?
23 A. Yes.

24

--

1 JIM KAISER: Nothing further of this witness at
2 this time, Mr. Chairman.

3 BENNY WAMPLER: Questions from members of the Board
4 of this witness?

5 (No audible response.)

6 BENNY WAMPLER: Do you have anything further?

7 JIM KAISER: We'd ask that the application be
8 approved as submitted with the revised Exhibit B-3 reflecting
9 one address change.

10 BENNY WAMPLER: Do I have a motion?

11 JIM MCINTYRE: Motion to approve.

12 BENNY WAMPLER: Is there a second?

13 DENNIS GARBIS: Second.

14 BENNY WAMPLER: Motion is second. Any further
15 discussion?

16 (No audible response.)

17 BENNY WAMPLER: All in favor, signify by saying
18 yes.

19 (All members signify by saying yes.)

20 BENNY WAMPLER: Opposed, say no.

21 (No audible response.)

22 BENNY WAMPLER: You have approval. The next item
23 on the agenda is a petition from Equitable Production Company
24

1 for creation and pooling of conventional gas unit V-536764.
2 This is docket number VGOB-05-0517-1455. We'd ask the
3 parties that wish to address the Board in this matter to come
4 forward at this time.

5 JIM KAISER: Mr. Chairman, again, Jim Kaiser and
6 Don Hall on behalf of Equitable Production Company.

7 BENNY WAMPLER: The record will show no others.
8 You may proceed.

9

10 DON HALL

11 DIRECT EXAMINATION

12 QUESTIONS BY MR. KAISER:

13 Q. Mr. Hall, are you familiar with Equitable's
14 application seeking the establishment of a drilling unit and
15 the pooling of any unleased interest within that unit for EPC
16 well number V-536764, dated April the 15th, 2005?

17 A. Yes.

18 Q. Does Equitable own drilling rights in the
19 unit involved here?

20 A. We do.

21 Q. And prior to filing the application, were
22 efforts made to contact each of the respondents having an
23 interest in the unit and an attempt made to work out a

24

--

1 voluntary lease agreement?

2 A. Yes.

3 Q. What is the interest of Equitable under

4 lease in the unit at this time?

5 A. We have a 81.11% leased.

6 Q. And are all unleased parties set out in our

7 Exhibit B-3?

8 A. They are.

9 Q. And what is the interest in the unit that

10 remains unleased?

11 A. 18.89%.

12 Q. And that represents...it's a four tract unit

13 and everything is leased except for Tract 3?

14 A. That's correct.

15 Q. Okay. And the owners...the undivided

16 interest owners in Tract 3 are the Power's family, who we've

17 pooled, gosh, probably five or six different occasions?

18 A. That's correct.

19 Q. Okay. And we don't have any unknown owners

20 within this unit, correct?

21 A. No.

22 Q. Are the addresses set out in Exhibit B the

23 last known addresses for the respondents?

24

1 A. Yes.

2 Q. Are you requesting this Board to force pool
3 all unleased interest as listed at Exhibit B-3?

4 A. Yes.

5 Q. Again, are you familiar with the fair market
6 value of drilling rights in the unit here and in the
7 surrounding area?

8 A. Yes.

9 Q. Again, could you advise the Board as to what
10 those are?

11 A. A five dollar bonus on a five year term with
12 a one-eighth royalty.

13 Q. And, in your opinion, do the terms you just
14 testified to represent the fair market value of and the fair
15 reasonable compensation to be paid for drilling rights within
16 this unit?

17 A. They do.

18 JIM KAISER: Mr. Chairman, again, I'd ask that the
19 testimony regarding the election options be incorporated.

20 BENNY WAMPLER: That will be incorporated.

21 Q. Mr. Hall, we do not need to have the Board
22 to establish an escrow account for this unit, is that
23 correct?

24

--

1 A. That's correct.

2 Q. And who should be named the operator under
3 the force pooling order?

4 A. Equitable Production Company.

5 Q. The total depth for this well?

6 A. It's 5720 feet.

7 Q. The estimated reserves of the unit?

8 A. 275 million cubic feet.

9 Q. Are you familiar with the well costs?

10 A. Yes.

11 Q. Has an AFE been reviewed, signed and
12 submitted to the Board?

13 A. It has.

14 Q. In your professional opinion, does it
15 represent a reasonable estimate of the well costs?

16 A. Yes.

17 Q. Could you state both the dry hole costs and
18 completed well costs for this well?

19 A. Dry hole costs is \$220,928 and the completed
20 well costs is \$375,234.

21 Q. Do these costs anticipate a multiple
22 completion?

23 A. They do.

24

1 Q. And does your AFE include a reasonable
2 charge for supervision?

3 A. Yes.

4 Q. In your professional opinion, would the
5 granting of this application be in the best interest of
6 conservation, the prevention of waste and the protection of
7 correlative rights?

8 A. Yes.

9 JIM KAISER: Nothing further of this witness at
10 this time, Mr. Chairman.

11 BENNY WAMPLER: Questions from members of the Board
12 of this witness?

13 (No audible response.)

14 BENNY WAMPLER: Do you have anything further?

15 JIM KAISER: We'd ask that the application be
16 approved as submitted.

17 BENNY WAMPLER: Is there a motion?

18 DENNIS GARBIS: Motion to approve.

19 JIM MCINTYRE: Second.

20 BENNY WAMPLER: Motion is second. Any further
21 discussion?

22 (No audible response.)

23 BENNY WAMPLER: All in favor, signify by saying
24

1 yes.

2 (All members signify by saying yes, but Donald
3 Ratliff.)

4 BENNY WAMPLER: Opposed, say no.

5 DONALD RATLIFF: I abstain.

6 BENNY WAMPLER: One abstention, Mr. Ratliff. You
7 have approval. The next item on the agenda is a petition
8 from Equitable Production Company for creation and pooling of
9 a conventional gas unit V-535453, docket number VGOB-0517-
10 1456. We'd ask the parties that wish to address the Board in
11 this matter to come forward at this time.

12 JIM KAISER: Mr. Chairman, again, Jim Kaiser and
13 Don Hall. We do have some revised exhibits, including a
14 revised plat on this well. I'll let Mr. Hall hand those out
15 before we get going.

16 (Don Hall passes out revised exhibits.)

17 (Off record discussion.)

18 JIM KAISER: Okay. Maybe before we get into the
19 standard testimony, let's have Mr. Hall go through these
20 revised exhibits and explain what they represent. You can
21 start with the plat map.

22 DON HALL: Okay, well, with the plat, once we made
23 application, we found that Tract 15 had been sold to H. Jack
24

1 Rose. We changed that from Carol Kennedy to Jack Rose. Then
2 that's also reflected in the exhibit. In addition, the
3 exhibits include Tract 2, which has been leased since the
4 last...since made application. It would also include a B-2
5 dismissing Joey Mullins in Tract 2, which has been leased and
6 dismissing Carol Anne Smith Kennedy, who had sold her
7 property to Jack Rose. So, the new exhibits reflect the
8 leased...the tract that we've leased and the tract that has
9 been sold to Jack Rose and the plat has been corrected to
10 reflect that as well.

11 BENNY WAMPLER: Any questions from members of the
12 Board?

13 (No audible response.)

14 BENNY WAMPLER: Go ahead with your testimony.

15

16 DON HALL

17 DIRECT EXAMINATION

18 QUESTIONS BY MR. KAISER:

19 Q. Okay, Mr. Hall, you're familiar with the
20 application we filed seeking the establishment of a drilling
21 unit and pooling any unleased interest in the unit for EPC
22 well V-535453, which was dated April the 15th, 2005?

23 A. Yes.

24

--

1 Q. Does Equitable own drilling rights in the
2 unit here?

3 A. We do.

4 Q. Now, prior to filing the application, were
5 efforts made to contact each of the respondents owning an
6 interest and an attempt made to work out a voluntary lease
7 agreement?

8 A. Yes.

9 Q. As of right now, what is the interest of
10 Equitable under lease in the gas estate?

11 A. We have a 73.83% leased.

12 Q. And are all unleased parties set out in
13 revised Exhibit B-3?

14 A. Yes.

15 Q. And what is the interest in the unit that
16 remains unleased?

17 A. 26.17%.

18 Q. Okay, we don't have any unknowns?

19 A. Correct.

20 Q. But we do sort of have an odd situation
21 on...we got an interlock situation on Tracts 10 and 11, is
22 that correct?

23 A. That's correct.

24

1 Q. Do you want to kind of explain that to the
2 Board and why we don't need escrow?
3 A. Well, we probably...
4 (Jim Kaiser and Don Hall confer.)
5 A. Well, the---.
6 Q. Well, explain why we do need escrow, I'm
7 sorry.
8 A. The descriptions of those tracts with
9 thirteen, twelve and eight overlap. We've reflected that in
10 the exhibit. Tract ten, either Ernest Kennedy or Willie Lee
11 Rose owns it, depending on who would end up with the overlap,
12 or interlock as some people call it. The same situation
13 with...with Tract 11. It's either a French family or Ernest
14 Kennedy.
15 Q. Okay. So, we did include with our original
16 application Exhibit E to reflect that conflicting claim
17 situation, correct?
18 A. Yes.
19 BENNY WAMPLER: Let me ask a question since we're
20 right here. The tracts that Mr. Hall just testified to,
21 thirteen, twelve and eleven, I think you said---.
22 A. Ten and eleven.
23 JIM KAISER: Just ten and eleven.

24

--

1 BENNY WAMPLER: Just ten and eleven?
2 A. Yeah.
3 BENNY WAMPLER: Okay. You mentioned the other one
4 a minute ago and that's the reason---.
5 JIM KAISER: I'm sorry.
6 A. Well, they came out of that. That's what
7 the overlay part is.
8 JIM KAISER: (Inaudible.)
9 BENNY WAMPLER: But ten and eleven are the only two
10 that---.
11 A. Right.
12 JIM KAISER: Yeah.
13 A. We...we show them as a tract in itself on
14 the plat to differentiate them as being the two pieces that
15 are overlapping.
16 BENNY WAMPLER: Okay. Go ahead.
17 Q. And are the addresses set out in our revised
18 Exhibit B, the last known addresses for all the interest
19 owners?
20 A. Yes.
21 Q. Are you requesting this Board to force pool
22 all unleased interest as listed at revised Exhibit B-3?
23 A. That's correct.

24

1 Q. Again, are you familiar with the fair market
2 value of drilling rights in the unit here and in the
3 surrounding area?

4 A. Yes.

5 Q. Advise the Board as to what those are.

6 A. A five dollar bonus on a five year term and
7 a one-eighth royalty.

8 Q. In your opinion, do the terms represent the
9 fair market value of and the fair reasonable compensation to
10 be paid for drilling rights within this unit?

11 A. They do.

12 JIM KAISER: Mr. Chairman, again, I'd ask that the
13 election option testimony be incorporated.

14 BENNY WAMPLER: That will be incorporated.

15 Q. Okay, and I guess, Mr. Hall, we have
16 established that we do need to create an escrow account for
17 Tracts 10 and 11?

18 A. Yes, the two overlapped pieces.

19 Q. And who should be named the operator under
20 any force pooling order?

21 A. Equitable Production.

22 Q. The total depth for this well?

23 A. 5926 feet.

24

--

1 Q. The estimated reserves for the unit?
2 A. 300 million cubic feet.
3 Q. Are you familiar with the well costs?
4 A. Yes.
5 Q. Has an AFE been reviewed, signed and
6 submitted to the Board as Exhibit C?
7 A. It has.
8 Q. In your opinion, does it represent a
9 reasonable estimate of the well costs?
10 A. Yes.
11 Q. Could you state both the dry hole costs and
12 completed well costs for this well?
13 A. Dry hole costs is \$261,510 and the completed
14 well costs is \$465,880.
15 Q. Do these costs anticipate a multiple
16 completion?
17 A. They do.
18 Q. Does your AFE include a reasonable charge
19 for supervision?
20 A. Yes.
21 Q. In your professional opinion, would the
22 granting of this application be in the best interest of
23 conservation, the prevention of waste and the protection of
24

1 correlative rights?

2 A. Yes.

3 JIM KAISER: Nothing further of this witness, Mr.

4 Chairman.

5 BENNY WAMPLER: Questions from members of the Board

6 of this witness?

7 (No audible response.)

8 BENNY WAMPLER: Do you have anything further?

9 JIM KAISER: Mr. Chairman, we'd ask that the

10 application be approved with the revised Exhibit A, being the

11 plat, and then the revised B and B-3 and B-2.

12 BENNY WAMPLER: Is there a motion?

13 JIM McINTYRE: Motion to approve.

14 DENNIS GARBIS: Second.

15 BENNY WAMPLER: Motion to approve and a second.

16 Any further discussion?

17 (No audible response.)

18 BENNY WAMPLER: All in favor, signify by saying

19 yes.

20 (All members signify by saying yes, but Donald

21 Ratliff.)

22 BENNY WAMPLER: Opposed, say no.

23 DONALD RATLIFF: I abstain, Mr. Chairman.

24

1 BENNY WAMPLER: One abstention, Mr. Ratliff. You
2 have approval. The next item on the agenda is a petition
3 from Columbia Natural Resources, LLC for creation and pooling
4 of conventional gas unit 825532. This is docket number VGOB-
5 0517-1457. We'd ask the parties that wish to address the
6 Board in this matter to come forward at this time.

7 JIM KAISER: Mr. Chairman, we'd like...could we
8 skip down to number nineteen, which is Don's last one from
9 the May docket...Equitable's last one from the May docket and
10 then bring Columbia for seventeen and eighteen?

11 DON HALL: It doesn't matter to me.

12 JIM KAISER: It doesn't matter. But, I mean,
13 it's---.

14 DON HALL: I can wait.

15 BENNY WAMPLER: Are you representing Columbia as
16 well?

17 JIM KAISER: Yes.

18 BENNY WAMPLER: Okay. I'll go ahead and call that.
19 A petition from Equitable Production Company for a well
20 location exception for proposed well V-536098, docket number
21 VGOB-05-0517-1459. We'd ask the parties that wish to address
22 the Board in this matter to come forward at this time.

23 JIM KAISER: Mr. Chairman and Board members again,
24
25

1 Jim Kaiser and Don Hall for Equitable Production Company. We
2 do have an exhibit for this location exception hearing that
3 Mr. Hall will pass out.

4 (Don Hall passes out the exhibit.)

5 BENNY WAMPLER: The record will show no others.
6 You may proceed.

7

8 DON HALL

9 DIRECT EXAMINATION

10 QUESTIONS BY MR. KAISER:

11 Q. Mr. Hall, do your responsibilities include
12 the land involved in this unit and the surrounding area?

13 A. Yes.

14 Q. And you're familiar with the application we
15 filed seeking a location exception for well V-536098?

16 A. Yes.

17 Q. Have all interested parties been notified as
18 required by Section 4(B) of the Virginia Gas and Oil Board
19 Regulations?

20 A. They have.

21 Q. Would you point out to the Board the
22 ownership of the oil and gas underlying this unit?

23 A. Pine Mountain owns 56.87% and Standard
24

--

1 Banner Coal Company owns 43.13%.

2 Q. All right. And we're seeking an exception
3 from 502018?

4 A. 502108.

5 Q. I'm sorry. Um, I've got that wrong on the
6 application. 502108. We've got a typo in the application.
7 Does Equitable have the right to operate that reciprocal
8 well?

9 A. We do.

10 Q. Are there any correlative rights issues?

11 A. No.

12 Q. Could you explain for the Board, in
13 conjunction with the exhibit you just passed out, why we need
14 this location exception?

15 A. Again, as I showed you on the previous
16 exhibit, the circles around those wells represent 2500 foot
17 radius around those wells. 2108 is 2313 feet from 6098. If
18 you go about due South of where that location is spotted, you
19 hit the first area in which we could get a location that
20 would be 2500 feet away from each of those wells. That area
21 is very steep. It's about a 50% slope in there. The road
22 coming around through there, the hillside breaks off pretty
23 steep below that. Then in between those two roads, out on

24

--

1 the next point, there is a East Tennessee Natural Gas
2 Pipeline coming up through there and a CNR Compressor
3 Station. So, rather than...to get a legal location, we'd
4 probably have to come over into that strip job somewhere,
5 which would make it very...quiet a distance from the other
6 wells. So, these...all three of these wells that
7 we're...that we're showing here are our wells. So, we're not
8 effected any other party. So, we...that spot we chose is the
9 best spot we could find for it as close as we can to a legal
10 location; and, of course, that spot has also been co-approved
11 by the coal company.

12 Q. Okay. In the event this location exception
13 were not granted, would you project the estimated loss of
14 reserves?

15 A. About 300 million cubic feet.

16 Q. And what is the total depth of the proposed
17 well?

18 A. 6312 feet.

19 Q. And are you requesting this location
20 exception to cover conventional gas reserves to include the
21 formations designated in the application from the surface to
22 the total depth drilled?

23 A. Yes.

24

--

1 Q. In your opinion, would the granting of this
2 location exception be in the best interest of preventing
3 waste, protecting correlative rights and maximizing the
4 recovery of the gas reserves underlying the unit for V-
5 536098?

6 A. Yes.

7 JIM KAISER: Nothing further of this witness at
8 this time, Mr. Chairman.

9 BENNY WAMPLER: Mr. Hall, just out of curiosity,
10 when you drill these wells and get the location exception and
11 you're drilling these wells, and I know distances vary, but
12 what kind of...what kind of impact is it having on adjacent
13 wells?

14 DON HALL: I really can't testify to that. But my
15 understanding is it doesn't. I mean, that's...when we...when
16 we get a...seek a location exception, we check with our
17 geology and engineering people to see if they feel like it
18 would have any impact and they approve where we put these
19 spots. So, obviously, based on their knowledge anyway. It's
20 not...not effecting them.

21 BENNY WAMPLER: But you're not sure actually
22 producing how they're doing?

23 DON HALL: I can't...that's not anything I'm
24

1 familiar with. That's sort of out of my expertise.

2 BENNY WAMPLER: Okay. Other questions from members
3 of the Board?

4 (No audible response.)

5 BENNY WAMPLER: Do you have anything further?

6 JIM KAISER: Mr. Chairman, we'd ask that the
7 application be approved as submitted.

8 BENNY WAMPLER: Is there a motion?

9 JIM McINTYRE: Motion to approve.

10 DENNIS GARBIS: Second.

11 BENNY WAMPLER: Second. Any further discussion?

12 (No audible response.)

13 BENNY WAMPLER: All in favor, signify by saying
14 yes.

15 (All members signify by saying yes, but Donald
16 Ratliff.)

17 BENNY WAMPLER: Opposed, say no.

18 (No audible response.)

19 BENNY WAMPLER: You have approval.

20 DONALD RATLIFF: I abstain, Mr. Chairman.

21 BENNY WAMPLER: One abstention, Mr. Ratliff. I go
22 ahead and recall the petition from Columbia Natural
23 Resources, LLC. That's docket number VGOB-0517-1457. We'd
24

1 ask the parties that wish to address the Board in this matter
2 to come forward at this time.

3 (Off record discussion.)

4 JIM KAISER: Okay, Mr. Chairman and Board members,
5 Jim Kaiser on behalf of Columbia Natural Resources, LLC. Our
6 witnesses in this matter will be Ms. Lynette Greene and Mr.
7 Robert Keenon. We'd ask that they be sworn at this time.

8 (Robert Keenon and Lynette Greene are duly sworn.)

9 JIM KAISER: We have some revised exhibits that I
10 want to hand out to you. It will be a revised Exhibit B and
11 a revised Exhibit B-3.

12 (Jim Kaiser passes out revised exhibits.)

13 JIM KAISER: Okay. Our first witness in this
14 matter will be Ms. Greene.

15

16 LYNETTE GREENE

17 having been duly sworn, was examined and testified as
18 follows:

19 DIRECT EXAMINATION

20 QUESTIONS BY MR. KAISER:

21 Q. Ms. Greene, if you'd state your name for the
22 Board, who you're employed by and in what capacity?

23 A. My name is Lynette Greene. I'm a senior
24

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1 land representative with Columbia Natural Resources.

2 Q. And before we get into your standard
3 testimony, could you kind of explain what we've done in the
4 revision of these exhibits?

5 A. We had two tracts reposed on there. We had
6 the drill site tract showing as the unleased tract, you know,
7 just a small tract on the western side of the unit.

8 JIM KAISER: And because of the common ownership in
9 three of the four tracts that were in this unit, we had some
10 numbers transposed in the original application, which was
11 filed April the 15th for the May docket, which got continued
12 until today. So, this accurately...the new exhibits
13 accurately depict the ownership in the unit on a tract by
14 tract basis.

15 Q. Are you familiar with the application will
16 filed seeking to establish a drilling unit and pool any
17 unleased interest in the unit for well...CNR well number
18 825532, which was dated April the 15th, and then the
19 subsequent revisions that we've made today?

20 A. Yes.

21 Q. Okay. Does CNR own drilling rights in the
22 unit involved here?

23 A. Yes.

24

--

1 Q. This proposed unit depicted Exhibit A, that
2 being the plat, include all accurate within a 1250 foot
3 radius of this proposed well?

4 A. Yes.

5 Q. And prior to filing the application, were
6 efforts made to contact each of the respondents within the
7 unit and an attempt made to work out a voluntary agreement?

8 A. Yes.

9 Q. And what is the interest of CNR that's under
10 lease in the unit at this time?

11 A. 99.92%.

12 Q. And are you familiar with the ownership of
13 drilling rights of parties other than CNR underlying this
14 unit?

15 A. Yes.

16 Q. And what percentage remains unleased?

17 A. 0.079.

18 Q. And are all the unleased parties set out at
19 our revised Exhibit B-3?

20 A. Yes.

21 Q. And we do not have any unknown interest
22 owners within this unit, correct?

23 A. That is correct.

24

--

1 Q. And are the addresses set out in our revised
2 Exhibit B, the last known addresses for the respondents?
3 A. Yes.
4 Q. And are you requesting this Board to force
5 pool all the unleased interest as listed at Exhibit B-3?
6 A. Yes.
7 Q. And are you familiar with the fair market
8 value of drilling rights in this unit and the surrounding
9 area?
10 A. Yes, I am.
11 Q. Could you advise the Board as to what those
12 are?
13 A. It's a \$5 bonus with a five year term and a
14 one-eighth royalty.
15 Q. In your opinion, do the terms you just
16 testified to, represent the fair market value of and the fair
17 and reasonable compensation to be paid for drilling rights
18 within this unit?
19 A. Yes.
20 JIM KAISER: Mr. Chairman, again, I'd ask that the
21 testimony regarding election options be incorporated.
22 BENNY WAMPLER: That will be incorporated.
23 Q. And, Ms. Greene, we do not need to establish
24

1 an escrow account for this unit, is that correct?

2 A. That is correct.

3 Q. And who should be named operator under any
4 force pooling order?

5 A. Columbia Natural Resources.

6 Q. LLC?

7 A. LLC.

8 JIM KAISER: Okay. That's all I have for this
9 witness at this time, Mr. Chairman.

10 BENNY WAMPLER: Any questions from members of the
11 Board?

12 (No audible response.)

13 BENNY WAMPLER: Call your next witness.

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1 drilled?

2 A. We do.

3 Q. And the estimated reserves for this unit?

4 A. 400 million standard cubic feet.

5 Q. Now, are you familiar with the well costs?

6 A. Yes.

7 Q. And has an AFE been reviewed, signed and

8 submitted to the Board as Exhibit C to the application?

9 A. It has.

10 Q. And, in your opinion, does this AFE

11 represent a reasonable estimate of the well costs?

12 A. It does.

13 Q. Could you state for the Board both the dry

14 hole costs and the completed well costs for this well?

15 A. The dry hole costs are expected to be

16 \$244,937. The completed well costs, including well line, are

17 \$434,721.

18 Q. Do these costs anticipate a multiple

19 completion?

20 A. They do.

21 Q. Does your AFE include a reasonable charge

22 for supervision?

23 A. Yes.

24

1 Q. In your professional opinion, would the
2 granting of this application be in the best interest of
3 conservation, the prevention of waste and the protection of
4 correlative rights?

5 A. It would.

6 JIM KAISER: Nothing further of this witness at
7 this time, Mr. Chairman.

8 BENNY WAMPLER: Questions from members of the
9 Board?

10 (No audible response.)

11 BENNY WAMPLER: Do you have anything further?

12 JIM KAISER: We'd ask that our application be
13 approved as submitted with the addition of the revised
14 Exhibit B and B-3.

15 BENNY WAMPLER: Is there a motion?

16 JIM McINTYRE: Motion to approve.

17 DENNIS GARBIS: Second.

18 BENNY WAMPLER: Second. Any further discussion?

19 (No audible response.)

20 BENNY WAMPLER: All in favor, signify by saying
21 yes.

22 (All members signify by saying yes.)

23 BENNY WAMPLER: Opposed, say no.

24

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1 (No audible response.)

2 BENNY WAMPLER: You have approval. The next item
3 on the agenda is a petition from Columbia Natural Resources,
4 LLC for a well location exception for proposed well 824544,
5 docket number VGOB-0517-1458. We'd ask the parties that wish
6 to address the Board in this matter to come forward at this
7 time.

8 JIM KAISER: For this particular hearing, Jim
9 Kaiser and Robert Keenon for CNR, LLC.

10 BENNY WAMPLER: Okay. The record will show no
11 others. You may proceed.

12 (Jim Kaiser and Robert L. Keenon confer.)

13

14 ROBERT L. KEENON

15 DIRECT EXAMINATION

16 QUESTIONS BY MR. KAISER:

17 Q. Mr. Keenon, if you would state your name,
18 again, who you're employed by and in what capacity?

19 A. My name is Robert L. Keenon. I'm employed
20 by Columbia Natural Resources as a senior petroleum engineer.

21 Q. And you're familiar with the application we
22 filed seeking a location exception for well 824544?

23 A. Yes.

24

--

1 Q. And have all interested parties been
2 notified as required by Section 4(B) of the Virginia Gas and
3 Oil Board Regulations?

4 A. Yes.

5 Q. Would you indicate for the Board the
6 ownership of the oil and gas underlying the unit for well
7 number 824544?

8 A. Big Sandy Coal Corporation has 84.11%
9 interest, Buchanan Gas has a 2.80 interest and Mel Elswick,
10 et al, has 13.07% interest.

11 Q. All right. And we're seeking an exception
12 from your well 824629, is that correct?

13 A. It is.

14 Q. And CNR has the right to operate that well?

15 A. We do.

16 Q. Are there any correlative rights issues?

17 A. No.

18 Q. Can you explain for the Board...we've got
19 quiet...if the Board will turn to the application and look at
20 Section 2.2. We have a very detailed explanation of why
21 we're seeking this location exception, if you just want to
22 take a minute to review that and then Mr. Keenon will have
23 some additional testimony from that point.

24

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1 A. Our original site was submitted for review
2 by our field personnel and the coal representatives. The
3 original site that we selected was approximately 2500 feet
4 from well 24629. Upon review by the coal interest, the coal
5 operator requested that we move the location at least 200
6 feet to the west in the direction of 24629 in order to be
7 within a solid coal pillar away from the sealed open mine
8 works. We spotted the location pretty much at their request
9 and we were under the impression that we had coal approval on
10 that location. Just for the Board, and especially for Bob's
11 interest, there's some other things that were in discussion
12 or negotiation at that time. Since that time, they have
13 notified us that they object to the location, which they
14 initially kind of gave us the approval on. We're not under
15 the impression that they had notified you, the State, or
16 anyone about their concerns with this location. Therefore,
17 we're proceeding at this point. Wherever this thing is fully
18 going through the permitting phase, I mean, there is a
19 possibility that an objection might be raised, in which case,
20 you know, we'll just have to start over. But for right now,
21 for all intense and purposes, it appears this is kind of
22 being put into a larger pool of other items that are being
23 negotiated.

24

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1 JIM KAISER: We did receive...Ms. Greene did
2 receive a letter dated 4/21 or a fax dated 4/21 that,
3 apparently, was not filed with DGO and they're not here
4 today, you know, stating what Mr. Keenon has just said. So,
5 it appears to us to be in essence, a negotiating ploy and
6 they may raise the same objection at the permit.

7 BENNY WAMPLER: Who wrote that letter that you're
8 referring to?

9 JIM KAISER: Bill Fuller.

10 BENNY WAMPLER: With who?

11 JIM KAISER: I guess, he's with Rapoca isn't he?

12 LYNETTE GREENE: Yes.

13 BENNY WAMPLER: I just wanted to get that on the
14 record. Are they a mineral owner in this tract?

15 JIM KAISER: They're a coal owner...a coal lessee.

16 ROBERT L. KEENON: Operator.

17 JIM KAISER: Coal lessee, I guess.

18 BENNY WAMPLER: Is that your understanding, Mr.
19 Keenon, a coal lessee?

20 ROBERT L. KEENON: Yes. Big Sandy is the mineral
21 owner of record. Well, I shouldn't say anything more. But
22 we're going to proceed, I guess...we're attempting to
23 proceed. We think that this will be worked out, that the
24

1 issue will be mute...moot. We just wanted to kind of bring
2 it to Mr. Wilson's attention in case he...so that he wouldn't
3 get caught by surprise if something came up on this
4 particular well.

5 JIM KAISER: Yeah, I guess, technically, since they
6 didn't file it with you and they're not here today, we didn't
7 have to bring it up. But---.

8 BOB WILSON: I can state, since it has been brought
9 up, that to my knowledge, the Division of Gas and Oil has not
10 received objection to this permit, actually.

11 ROBERT L. KEENON: And our impression is it's just
12 another collective item as far as a process of negotiation.

13 BENNY WAMPLER: Do you have anything further, Mr.
14 Kaiser?

15 JIM KAISER: We still have a little more testimony.

16 Q. Mr. Keenon, in the event this location
17 exception were not granted, would you project the estimated
18 loss of reserves?

19 A. 400 million standard cubic feet.

20 Q. And the total depth of the proposed well?

21 A. 5,595 feet.

22 Q. And are we requesting that this location
23 exception cover conventional gas reserves to include the
24

1 designated formations in our application from the surface to
2 the total depth drilled?

3 A. We are.

4 Q. In your opinion, would the granting of this
5 location exception be in the best interest of preventing
6 waste, protecting correlative rights and the maximizing the
7 recovery of the gas reserves underlying the unit for 824544?

8 A. Yes, it would.

9 JIM KAISER: Nothing further of this witness at
10 this time, Mr. Chairman.

11 BENNY WAMPLER: Questions from members of the
12 Board?

13 (No audible response.)

14 BENNY WAMPLER: Do you have anything further?

15 (No audible response.)

16 BENNY WAMPLER: We'd ask that the application be
17 approved as submitted.

18 BENNY WAMPLER: Is there a---?

19 DONALD RATLIFF: So moved, Mr. Chairman.

20 BENNY WAMPLER: You have a motion to approve.

21 JIM McINTYRE: Second.

22 BENNY WAMPLER: Second. Any further discussion?

23 (No audible response.)

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1 BENNY WAMPLER: All in favor, signify by saying
2 yes.
3 (All members signify by saying yes.)
4 BENNY WAMPLER: Opposed, say no.
5 (No audible response.)
6 BENNY WAMPLER: You have approval.
7 JIM KAISER: Thank you.
8 BENNY WAMPLER: The next item on the agenda is a
9 petition from EOG Resources, Inc. appealing a decision by Mr.
10 Wilson, the Gas and Oil Director, denying permit application
11 number 7780, 7781 and 7791. This is docket number 05-0621-
12 1466. We'd ask the parties that wish to address the Board in
13 this matter to come forward at this time. May I have you
14 state your names for the record, please?
15 TIM SCOTT: Tim Scott for the petitioner.
16 PETER BACON: Peter Bacon, EOG Resources.
17 MARK SWARTZ: Mark Swartz and Les Arrington for
18 Island Creek Coal Company and CNX Gas.
19 BOB WILSON: Bob Wilson appearing here as the
20 Director of the Division of Gas and Oil.
21 BENNY WAMPLER: I'll ask you to swear the folks in,
22 including Mr. Wilson.
23 (Bob Wilson, Mark Swartz, Tim Scott, Peter Bacon
24

1 and Leslie K. Arrington are duly sworn.)

2 BENNY WAMPLER: You may proceed, Mr. Scott.

3 TIM SCOTT: Thank you, Mr. Chairman. If memory
4 serves me correctly, I believe, that I seen an appeal on
5 361.12 objection before the Board. But the...I'm not sure
6 that the facts are necessarily in dispute here except that
7 EOG's position that the distance limitations for the wells,
8 which is provided for in 361.12 has a mandate that the
9 provisions...other objections need to be considered under
10 361.11, which was not done at the informal fact finding
11 hearing. So without having gone through those, I think it's
12 clear that the statue says, "If the well operator and the
13 objecting coal owner is present or represented at the hearing
14 to consider the objections," plural, "to the proposed
15 drilling unit or location, are unable to agree upon a
16 drilling unit or location for a new well within 2500 linear
17 feet of the location of an existing well or well for which a
18 permit application is on file, then the permit or the
19 drilling unit shall be refused." That's the thrust of our
20 argument is that those...the other objections and other
21 criteria set forth in 361.11 were not considered by the...by
22 the Director.

23 BENNY WAMPLER: Okay, Mr. Swartz.

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1 MARK SWARTZ: Did you distribute the petition and
2 the response to the petition? I mean, did the Board members
3 all---.

4 BENNY WAMPLER: They have it.

5
6 MARK SWARTZ: My response is real short, and I'll
7 just kind of focus you on where I'm coming from, it's
8 actually, I think, pretty (inaudible), in opinion, in my
9 response. I just have a lot of trouble reading 361.11 as
10 applying at all here. The argument is that Mr. Scott and his
11 client are making is that this coal veto, which is the 361.12
12 distance limitation, is somehow...can only occur at the end
13 of a 361.11 hearing. And, you know, as I point out in my
14 response, Island Creek made no 361.11 objections. I mean,
15 we're not going to go over there and waste Mr. Wilson's time
16 or anybody's time, you know, with a bunch of objections.
17 There's a whole laundry list of 361.11. But what we did do
18 is we showed up and said, "there is not an acceptable
19 location within 2500 feet of existing wells, and we would
20 prefer to not have this well." I think this...this statutory
21 frame work is that simple. To kind of go back in time a
22 little bit...so essentially, our position is you can make a
23 361.12 objection in a vacuum. We could show up a hearing and

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1 say, you know, "I'm the coal owner or I represent the coal
2 owner and we don't want wells closer than 2500 feet apart"
3 period and you're done. That's our position on this. We
4 think this is very clear. Obviously, Mr. Wilson reads it as
5 simply as we do because his decision indicate...as his
6 decision indicates. The only other observation I would make
7 is to kind of go back in time to the passage of the 1990
8 Virginia Gas and Oil Act. There were intense negotiations
9 between the oil and gas industry and the coal industry, at
10 that point in time. I'm not sure that...in fact, I am
11 certain none of you all were on the Board at that time.
12 Benny was certainly around and involved at that time. There
13 were significant negotiations between the Coal Associations,
14 between representatives of the Virginia Gas and Oil Group,
15 VOGA, and also other people were represented directly. I
16 mean, CNR was present during those negotiations. Consol was
17 involved in those negotiations. Oxynel Petroleum, who I
18 represented at that time, was involved. Essentially, coal
19 and the oil and gas companies, the interest, worked out a
20 compromise that allowed the law to be passed. This wasn't
21 something that the legislature did on its own and somehow
22 made some kind of hideous mistake. I mean, this 361.12 was a
23 negotiated term between the industries to allow the law to be

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1 passed. So, if...you know, I don't want any of you to have a
2 feeling that the legislature was operating in a vacuum and
3 somehow picked this term and went with it. It was a
4 negotiated term. And I think that it got written down very
5 clearly and I'm simply suggesting to you that Mr. Wilson read
6 it right, got it right, and did the right thing at the
7 hearing that he had. That's where I am.

8 TIM SCOTT: I guess, in response, and this will be
9 before we start testimony. If the...clearly the legislature
10 used the term, "...consider the objections...", objections
11 would be plural, not to discount what was in 11.
12 Additionally, and I don't think there's any denial of the
13 fact that the Gas and Oil Act clearly contemplates the
14 concurrent mineral development between the gas and oil owner
15 and the coal owner, which is clearly stated in 361.11, trying
16 to reach a compromise in order to be able to have the
17 development occur among the various mineral parties. So, we
18 don't believe that is correct. I don't believe that you can
19 read 361.12 in a vacuum. It has to be considered with other
20 provisions of the Gas and Oil Act.

21 BENNY WAMPLER: I'm going go ahead and ask Mr.
22 Wilson, from his prospective, state his findings.

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1 BOB WILSON: Okay. A bit of background. The
2 Division of Gas and Oil received 3 applications for permit to
3 drill located in the Pilgrim's Knob Field area being the
4 operations Plum Creek Number 4-05, Big Vein Number 9-05 and
5 Big Vein Number 8-05. We gave those applications...
6 application numbers 7780, 7781 and 7791 respectively. We
7 received coal owner objections from Island Creek Coal Company
8 signed by Mr. Bill Fortall, who is, I believe, manager of
9 engineering, in a timely fashion. Mr. Fortall...Island Creek
10 and Mr. Fortall raised the objection that has been stated
11 under Section 45.1-361.12(A) of the Code of Virginia. "If
12 the well operator and the objecting coal owner present or
13 represented at the hearing to consider the objections to the
14 proposed drilling unit or location are unable to agree upon a
15 drilling unit or location for a well within 2500 linear feet
16 of the location of an existing well or well for which a
17 permit application is on file, then the permit or drilling
18 unit shall be refused." During the course of the informal
19 hearing...and I might for the benefit of the Board point out
20 here that the purpose and the intent of the informal hearing
21 process on permitting issues is, hopefully, to gain agreement
22 among the parties to the dispute. If that's impossible, then
23 the law mandates that I, as the Director of the Division of

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1 Gas and Oil, render a decision, which, of course, is
2 appealable to the Board and is how we got here. At the
3 informal hearing, which was held on Wednesday, April the
4 20th, 2005, we, as we often do, recessed the hearing, took it
5 off the record and gave the parties involved the opportunity
6 to negotiate on their own, and off the record, to see if they
7 can come to an agreement. They had conversations for a very
8 short period of time. Came back saying that they were unable
9 to reach an agreement. We proceeded with the conference.
10 The gist of testimony was from the representatives of the
11 coal owner that there are no other locations available in any
12 of those three Pilgrim's Knob units that would be acceptable
13 to the coal owner. I will read into the record here a
14 section of the decision that I wrote, which reveals, I think,
15 the logic that I was using here: "Section 45.1-361.12(A) is
16 very straight forward and unequivocal. It does not require
17 the objecting coal owner to provide explanation or
18 justification and does not allow for any discretion on the
19 part of the Director. Simply put, the statute requires that
20 in the absence of an agreement between the coal owner and the
21 applicant regarding a well closer than 2500 feet from an
22 existing well, the permit shall be denied. It is, therefore,
23 the decision of the Director, to deny the permits for wells

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1 Plum Creek 4.05...4-05, Big Vein 9-05 and Big Vein 8-05."

2 The parties were informed of the decision and notified of
3 their right to appeal. The appeal was filed and those permit
4 applications have been put on hold pending the appeal, which
5 is what we're here to look at today.

6 BENNY WAMPLER: Okay, Mr. Scott.

7 TIM SCOTT: Okay. I think that Mr. Swartz and I
8 have fairly well set our positions for the Board. I just
9 have a couple of questions for Mr....Mr. Bacon.

10 PETER BACON

11 DIRECT EXAMINATION

12 QUESTIONS BY MR. SCOTT:

13 Q. If you'd state your name, please.

14 A. Peter Bacon.

15 Q. And by whom are you employed?

16 A. EOG Resources.

17 Q. And where is EOG Resources located?

18 A. Our Pittsburgh division is located in
19 Cannonsburg, Pennsylvania.

20 Q. What is your job title?

21 A. I'm the land manager of the Pittsburgh
22 Division.

23 Q. Are you responsible for filing permit
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1 applications?

2 A. Yes.

3 Q. Okay. The...as Mr. Wilson indicated, you

4 received objections to those applications, is that...is that

5 correct?

6 A. Yes, we did.

7 Q. Okay. By Island, who is the respondent

8 here...which is the respondent here, is that right?

9 A. Yes.

10 Q. Did you try to reach an agreement

11 with...with Island Creek?

12 A. Yes, on several occasions.

13 Q. And did you offer or inquire as to any

14 location within those units which would be acceptable?

15 A. Yes, we did.

16 Q. And the response was?

17 A. There were no acceptable locations.

18 Q. Okay. Are your attempts ongoing with Island

19 Creek?

20 A. To the extent they can be. They've

21 identified to us a single individual to whom we should

22 address our concerns, and that individual will not respond to

23 letters, will not respond to phone calls, will not respond to

24

1 visits...personal visits to their office.

2 Q. Okay. Is it your intention to address the
3 concerns of Island as to well locations?

4 A. We'd like to find out what their concerns
5 are so that we might address them either operationally or
6 contractually.

7 TIM SCOTT: That's all the questions I have for Mr.
8 Bacon.

9 BENNY WAMPLER: Mr. Arrington, are the reserves,
10 the coal reserves in the area where the well is proposed
11 mineable?

12 LESLIE K. ARRINGTON: Yes, sir.

13 BENNY WAMPLER: Questions from members of the
14 Board?

15 (No audible response.)

16 BENNY WAMPLER: Do you have anything further?

17 TIM SCOTT: No, sir.

18 BENNY WAMPLER: Do you have anything further?

19 MARK SWARTZ: Nothing.

20 BENNY WAMPLER: Do you have anything further?

21 BOB WILSON: No, sir.

22 BENNY WAMPLER: Do you have anything to add?

23 SHARON PIGEON: I agree with Mr. Wilson's
24

1 interpretation of 45.1-361.12 and historically that statute
2 has been interpreted to be a veto power in the coal owner. I
3 think, as far as Mr. Scott's references to 45.1-361.11, that
4 those...that laundry list of factors to be considered are
5 more directed, at least historically from the way this has
6 been interpreted, as points that should be considered in the
7 event the coal owner is perhaps disagreeing with a particular
8 location, but is not saying that there is no location that
9 they would agree to, the parties disagree on which location
10 should be chosen.

11 BENNY WAMPLER: Is there a motion?

12 DENNIS GARBIS: I just have one comment.

13 BENNY WAMPLER: Mr. Garbis.

14 DENNIS GARBIS: I'm kind of disappointed that at
15 least there wasn't some additional effort or that a
16 compromise couldn't be reached somewhere along the line to
17 make this thing happen. I can't believe that there's not
18 some...some way that there can't be a compromise.

19 (Benny Wampler confers with Sharon Pigeon.)

20 SHARON PIGEON: As Mr. Wilson said, part of the
21 informal fact finding that he conducts is an attempt to help
22 the parties reach an agreement. I think those factors are
23 set out in 361.11 are directed toward helping the parties,

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1 perhaps, work through a disagreement. But, again, you've got
2 to have the parties that are interested in two different
3 locations as opposed to no location at all. The shall
4 language in 12 is, "...shall be refused...", is pretty
5 straight forward.

6 DENNIS GARBIS: I can't believe there's not
7 some...some compromise somewhere.

8 MARK SWARTZ: Sometimes there isn't. I mean,
9 not...not being smart about it. I mean, you know, there are
10 often times agreements, probably more often than not, but
11 sometimes the position is, you know, we're not going to do
12 this. That is the position here, at least as far as I can
13 determine. It doesn't...I mean, Tim references
14 another...other instances, you know, they've worked with
15 other people and they've reached agreements in spite of the
16 veto power. But for right now, in this particular spot, that
17 is the coal position. I'm sure it's very frustrating for
18 them. But, you know, that's...that's our marching order.

19 PETER BACON: Well, and it's particularly
20 frustrating for us, in light of the fact that other operators
21 in the immediate area have been granted permits without
22 objections where objection could have been filed in the
23 immediate area. I'm not talking about, I think, offsetting
24

1 units in this area. So, it's particularly frustrating when
2 we know others are being cooperated with and we are just not
3 even getting the curtsey of any sort of a reply to any sort
4 of effort on our part whether it's in writing, telephone
5 calls or personal visits.

6 MARK SWARTZ: Well, you know, here once when a
7 landowner indicated that he had told, you know, my clients'
8 representatives that he would never, ever sign a lease and he
9 never wanted to see them again and then he was complaining
10 that they never came back to talk to him. I might suggest
11 that perhaps they believed him when he told them that. I
12 mean, the opportunity to compromise this year was at the
13 hearing. I think it was, you know, unequivocally conveyed by
14 Les at that point, that this was not, at least at this point,
15 something that they were prepared to consider. You know, I
16 will say that it would seem as a matter of common sense to
17 me, that if you're going to acquire a leasehold interest in
18 an area that would dictate that you would be drilling wells
19 where there is a veto, that you might want to get an
20 understanding with the people that could interfere with your
21 expectations up front rather than later, and we see this a
22 lot. I mean...and sometimes people who acquire an interest
23 that are not necessarily something that they can proceed

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1 with, are able to work things out with Island Creek or other
2 coal companies, and sometimes they aren't. You know, this is
3 a situation where, as I've said, they're just not at this
4 point willing to entertain exceptions.

5 PETER BACON: I might...I might just amplify on
6 that, that our chief competitor for the lease that we have
7 that embraces these lands that are in question, our one and
8 only competitor was the party that's denying...objecting to
9 our locations.

10 MARK SWARTZ: Which would be a pretty good reason
11 to cause you some heartache. Well, I mean, let's be
12 realistic. I don't know if that's the reason, but I don't
13 see that as a get around.

14 DONALD RATLIFF: I move that we deny the appeal and
15 affirm the decision of the Director.

16 BENNY WAMPLER: I have a motion. Is there a
17 second?

18 JIM MCINTYRE: Second.

19 BENNY WAMPLER: Motion is second. Any further
20 discussion?

21 (No audible response.)

22 BENNY WAMPLER: All in favor, signify by saying
23 yes.

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1 (All members signify by saying yes, but Dennis
2 Garbis.)

3 BENNY WAMPLER: Opposed, say no.

4 DENNIS GARBIS: No.

5 BENNY WAMPLER: And I abstain...because I supervise
6 Mr. Wilson, I abstain. Vote is three, the vote carries. So,
7 it is overturn...the decision is upheld.

8 PETER BACON: Mr. Chairman, might I ask just what I
9 think is a rhetorical question, but just so that I
10 understand, is...what is the...is there a mechanism or what
11 is the mechanism for an appeal of this decision?

12 BENNY WAMPLER: In Circuit Court, there is a
13 mechanism to do that. There's also...you know, the other
14 avenue is to talk to the General Assembly about the law---.

15 PETER BACON: Okay.

16 BENNY WAMPLER: ---you know, from that standpoint
17 if you have any problem with it. That's the two avenues you
18 have.

19 PETER BACON: Okay, thank you.

20 BENNY WAMPLER: Thank you.

21 TIM SCOTT: Thank you very much.

22 BENNY WAMPLER: It is noon and lunch is here. Do
23 you want to just break now and do it and we'll reconvene at
24

1 1:00 o'clock?

2 (Lunch.)

3 BENNY WAMPLER: Okay, the next item on the agenda
4 is a petition from Columbia Natural Resources, LLC for
5 repooling of conventional gas unit 25404, docket number VGOB-
6 05-0315-1420-01. We'd ask the parties that wish to address
7 the Board in this matter to come forward at this time.

8 JIM KAISER: Mr. Chairman and member of the Board,
9 Jim Kaiser, Lynette Greene and Robert Keenon on behalf of
10 Columbia Natural Resources, LLC.

11 BENNY WAMPLER: The record will show there no
12 others. You may proceed.

13 JIM KAISER: This is, actually, a repooling. We
14 pooled this well back in March of this year. I don't know
15 what your pleasure is as to how much of the testimony you
16 want us to go back through. I'll explain to you what has
17 changed.

18 BENNY WAMPLER: I'll remind both witnesses they're
19 still under oath. You can go ahead and summarize your
20 changes.

21 JIM KAISER: Yeah, what happened was Tract 2, which
22 represents a very small portion of the unit, but it's a big
23 tract and it's a parent tract in itself. We...it was a long

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1 and tough title. We pooled this prior to finishing the title
2 work on that tract. As it turns out, the ownership in Tract
3 2 is different than what was depicted back in March in that
4 the...what we call the Buchanan and Wyatt heirs had an
5 interest. So, if you'll look at page three or
6 whatever...it's not page three, page one, two, three...four
7 of the exhibit...new exhibit, right before you get to Tracts
8 3 and 5, you'll see their interest listed there. So, it did
9 change everybody in Tract 2 and they were all notified of
10 this repooling. I'll just try to kind of go around to the
11 questions that may be pertinent to repooling and if I miss
12 something, just let me know and we'll go back to it.

13 BENNY WAMPLER: Okay.

14

15 LYNETTE GREENE

16 DIRECT EXAMINATION

17 QUESTIONS BY MR. KAISER:

18 Q. Ms. Greene, if you would, again, state your
19 name for the Board, who you're employed by and in what
20 capacity?

21 A. Lynette Greene. I'm employed by Columbia
22 Natural Resources as a senior land representative.

23 Q. And you're familiar with our application

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1 that we filed for a repooling and the establishment of a
2 drilling unit and pooling any unleased interest for well
3 825404, which was dated May the 20th, 2005?

4 A. Yes.

5 Q. And does CNR own drilling rights in the unit
6 involved here?

7 A. Yes.

8 Q. Okay. And prior to filing the application
9 were efforts made to contact each of the respondents and an
10 attempt made to work out a voluntary agreement?

11 A. Yes.

12 Q. Now, what is the interest of CNR under lease
13 in the unit today?

14 A. 81.20.

15 Q. Okay. And you're familiar with the
16 ownership of drilling rights of parties other than CNR?

17 A. Yes.

18 Q. And what percentage remains unleased?

19 A. 18.79.

20 Q. And do you agree with my assessment of why
21 we're repooling this?

22 A. Yes.

23 Q. And we don't have any unknown interest
24

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1 owners?

2 A. No.

3 Q. Okay. And are the exhibits that we filed on
4 May...did I say May the 20th, May the 20th, to the...the
5 exhibits to the application we filed on May the 20th, are
6 they all correct, as far as addresses and interest?

7 A. Yes.

8 Q. And are you requesting the Board to force
9 pool all the unleased interest listed at our current Exhibit
10 B-3?

11 A. Yes.

12 Q. Okay. Are you familiar with the fair market
13 value of drilling rights in the unit here and in the
14 surrounding area?

15 A. Yes.

16 Q. Could you advise the Board as to what those
17 are?

18 A. It's a five dollar bonus for a five year
19 term at one-eighth royalty.

20 Q. And we don't have any unknowns, so we do not
21 need the Board to establish an escrow account?

22 A. That is correct.

23 JIM KAISER: Okay. Nothing further of this witness

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1 at this time, Mr. Chairman.

2 BENNY WAMPLER: Questions from members of the
3 Board?

4 (No audible response.)

5 BENNY WAMPLER: Call your next witness.

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1 ROBERT L. KEENON

2 DIRECT EXAMINATION

3 QUESTIONS BY MR. KAISER:

4 Q. Now, Mr. Keenon, we'll just briefly...I'm
5 just going to ask you some real leading question and kind of
6 go back over your testimony that was taken in March. Has the
7 plan of development changed at all? Has the total depth of
8 the well still 5800 feet?

9 A. It is.

10 Q. And the estimated reserves for the unit
11 still 400 million cubic feet?

12 A. They are.

13 Q. And we did not...we did not file...there was
14 no revisions made to the AFE, is that correct?

15 A. That's correct.

16 Q. So, the dry hole costs are still \$223,441
17 and completed well costs \$442,561?

18 A. That's correct.

19 JIM KAISER: That's all I have of that witness
20 ...this witness, Mr. Chairman.

21 BENNY WAMPLER: Any other questions from members of
22 the Board?

23 DONALD RATLIFF: Mr. Chairman.

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1 BENNY WAMPLER: Mr. Ratliff.

2 DONALD RATLIFF: On the plat, Mr. Keenon, if we
3 could identify the tract numbers rather than...you've got
4 Shortridge heirs, Shortridge heirs, Big Sandy Coal, Field
5 heirs. But when you go back, it's hard to for us to make
6 sure---.

7 JIM KAISER: That actually probably would be either
8 me or Lynette doing that. We do need to start doing that.
9 We need to put one, two, three and four on there.

10 LYNETTE GREENE: We've asked them to do that.

11 JIM KAISER: You have asked them to do that?

12 LYNETTE GREENE: Uh-huh.

13 JIM KAISER: Okay.

14 LYNETTE GREENE: We've asked our surveyors to do
15 it.

16 DONALD RATLIFF: Thank you.

17 LYNETTE GREENE: Uh-huh.

18 BENNY WAMPLER: It's real helpful because it is
19 hard---.

20 LYNETTE GREENE: Yeah.

21 BENNY WAMPLER: ---to follow.

22 JIM KAISER: There's a lot of information squeezed
23 in there and it's hard to---.

24

1 BENNY WAMPLER: Yeah.

2 JIM KAISER: ---differentiate it.

3 BENNY WAMPLER: Other questions or comments from
4 members of the Board?

5 (No audible response.)

6 BENNY WAMPLER: Do you have anything further?

7 JIM KAISER: We'd ask that the application be
8 approved as submitted, Mr. Chairman.

9 BENNY WAMPLER: Is there a motion?

10 DONALD RATLIFF: So moved, Mr. Chairman.

11 JIM McINTYRE: Second.

12 BENNY WAMPLER: Motion to approve and second. Any
13 further discussion?

14 (No audible response.)

15 BENNY WAMPLER: All in favor, signify by saying
16 yes.

17 (All members signify by saying yes.)

18 BENNY WAMPLER: Opposed, say no.

19 (No audible response.)

20 BENNY WAMPLER: You have approval. The next item
21 on the agenda is a petition from Equitable Production Company
22 for pooling of a coalbed methane unit VC-503721, docket
23 number VGOB-05-0621-1467. We'd ask the parties that wish to
24

1 address the Board in this matter to come forward at this
2 time.

3 JIM KAISER: Mr. Chairman and Board members, Jim
4 Kaiser and Don Hall, again, on behalf of Equitable Production
5 Company. I'll remind Mr. Hall that he's under oath.

6 DON HALL: Uh-huh.

7 BENNY WAMPLER: The record will show there are no
8 others. You may proceed.

9

10 DON HALL

11 DIRECT EXAMINATION

12 QUESTIONS BY MR. KAISER:

13 Q. Mr. Hall, are you familiar with Equitable's
14 application seeking a pool order to pool any unleased
15 interest in the unit underlying EPC well number VC-503721,
16 which was dated May the 20th, 2005?

17 A. Yes.

18 Q. And does Equitable own drilling rights in
19 the unit involved here?

20 A. We do.

21 Q. Now, prior to filing the application, were
22 efforts made to contact each of the respondents and an
23 attempt made to work out an agreement regarding the
24

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1 development of the unit?

2 A. Yes.

3 Q. And what is the interest of Equitable in the
4 gas estate in the unit, and you may want to explain this?

5 A. We have..in Tract 2, Levisa is the coal
6 owner, but there's conflicting claim between the I. R. Boyd
7 heirs and Pobst-Combs heirs as to the oil and gas ownership.
8 So, we've listed 1...2A and 2B in the exhibit. 2A is the
9 I. R. Boyd heirs and 2B is the Pobst-Combs heirs. Pobst-
10 Combs heirs are all leased to CNX and so is Levisa. On the
11 coal side, we've encountered this tract on one other occasion
12 and had this conflicting claimant in it as well. In the
13 event that the Pobst-Combs heirs and Levisa owns the...or the
14 Pobst-Combs heirs own the gas estate, we have 96.32% leased
15 or is the I. R. Boyd heirs own it, we have 98.24...224242%
16 leased.

17 Q. Okay. And then the interest in the coal
18 estate that's leased?

19 A. In the coal estate, there's no conflicting
20 claim. It's the Levisa Company. We have 96.32% of the unit
21 leased.

22 Q. Okay. So, the portion of the gas estate
23 that remains unleased is either 3.68 or 1.775, is that

24

--

1 correct?

2 A. That's correct.

3 Q. Okay. And the percentage of the coal estate
4 that's unleased is 3.68?

5 A. That's right.

6 Q. Okay. We don't have any unknown interest
7 owners in this unit?

8 A. No.

9 Q. Are the addresses set out in Exhibit B to
10 the application, the last known addresses for the
11 respondents?

12 A. Yes.

13 Q. Are you requesting this Board to force pool
14 all unleased interest listed at Exhibit B-3?

15 A. Yes.

16 Q. Are you familiar with the fair market value
17 of drilling rights in the unit here and in the surrounding
18 area?

19 A. Yes.

20 Q. Could you advise the Board as to what those
21 are?

22 A. A five dollar bonus on a five year term with
23 a one-eighth royalty.

24

1 Q. In your opinion, do the terms you just
2 testified to, represent the fair market value of and the fair
3 reasonable compensation to be paid for drilling rights within
4 this unit?

5 A. They do.

6 JIM KAISER: At this time, Mr. Chairman, I'd ask,
7 again, that even though we've had a lunch break, that we
8 incorporate the testimony taken earlier this morning in item
9 number 1451 regarding the election options afforded to the
10 unleased parties.

11 BENNY WAMPLER: That will be incorporated.

12 Q. Mr. Hall, we do need the Board to establish
13 an escrow account, don't we?

14 A. Yes, because where it...if it proves that
15 the Pobst-Combs is the oil and gas owner and Levisa is the
16 coal owner, which it is either way, that group has a split
17 agreement we've presented before. But in this case, we can't
18 use that because we have conflicting claim, another group of
19 heirs. So, we would have to escrow...escrow up because of
20 that conflict.

21 Q. So, the split agreement is not...doesn't
22 apply here, it's not relevant because of the conflicting
23 claim in the gas estate?

24

--

1 A. Right.

2 Q. And the escrow account would be set up for
3 proceeds attributable to Tract 2?

4 A. That's correct.

5 Q. And who should be named the operator under
6 any force pooling order?

7 A. Equitable Production Company.

8 Q. And the total depth of the proposed well?

9 A. 2267 feet.

10 Q. And what are the estimated reserves for the
11 unit?

12 A. 350 million cubic feet.

13 Q. Are you familiar with the costs?

14 A. Yes.

15 Q. In your opinion, does the AFE represent a
16 reasonable estimate of the well costs?

17 A. It does.

18 Q. And could you state both the dry hole costs
19 and complete well costs for this well?

20 A. Dry hole costs would be \$127,899 and the
21 completed well costs would be \$299,372.

22 Q. Do these costs anticipate a multiple
23 completion?

24

1 A. They do.

2 Q. Does your AFE include a reasonable charge
3 for supervision?

4 A. Yes.

5 Q. In your professional opinion, would the
6 granting of this application be in the best interest of
7 conservation, the prevention of waste and the protection of
8 correlative rights?

9 A. Yes.

10 JIM KAISER: No further questions of this witness,
11 Mr. Chairman.

12 BENNY WAMPLER: Questions from members of the
13 Board?

14 (No audible response.)

15 BENNY WAMPLER: Do you have anything further?

16 JIM KAISER: We'd ask that the application be
17 approved as submitted.

18 BENNY WAMPLER: Is there a motion?

19 DENNIS GARBIS: Motion to approve.

20 JIM McINTYRE: Second.

21 BENNY WAMPLER: Any further discussion?

22 (No audible response.)

23 BENNY WAMPLER: All in favor, signify by saying
24

1 yes.

2 (All members signify by saying yes, but Donald
3 Ratliff.)

4 BENNY WAMPLER: Opposed, say no.

5 DONALD RATLIFF: I'll abstain, Mr. Chairman.

6 BENNY WAMPLER: One abstention, Mr. Ratliff. You
7 have approval. The next item on the agenda is a petition
8 from Equitable Production Company for pooling of coalbed
9 methane unit VC-536641, docket number VGOB-05-0621-1468.
10 We'd ask the parties that wish to address the Board in this
11 matter to come forward at this time.

12 JIM KAISER: Again, Mr. Chairman and Board members,
13 Jim Kaiser and Don Hall on behalf of Equitable Production
14 Company. We do have a revised Exhibit A and revised Plat and
15 we are adding, I think in this case, an Exhibit EE.

16 DON HALL: That's correct.

17 (Don Hall passes out the revised exhibits.)

18 JIM KAISER: Okay, this unit involves Tract 3, the
19 gas estate in this case is owned by the Pobst-Combs heirs by
20 themselves without any interference from the I. R. Boyd heirs
21 in the gas estate. The coal estate is Levisa Coal represents
22 .40% of the unit. That tract is leased to CNX and that's the
23 only thing we're pooling here.

24

--

1 DON HALL: And we've got a split agreement.

2 JIM KAISER: And those two entities have a split
3 agreement. So, we've got a EE.

4 DON HALL: EE. Do you we need to submit a---?

5 JIM KAISER: Have you got a...I bet you all have a
6 copy of it, but we've got one in case you don't.

7 DON HALL: ---copy of the split agreement?

8 JIM KAISER: It probably has been submitted before.
9 But if you want one---.

10 BOB WILSON: We do have a copy of that Pobst-Combs
11 split agreement in the file. I don't think there's any
12 reason we need one for every file that we run across that.

13 JIM KAISER: We brought one just in case. I
14 figured it might be easier for you all if wanted...if you
15 didn't want to try to dig that one up. So, whatever you want
16 to do.

17 BOB WILSON: We can file it.

18 JIM KAISER: Yeah, file it and then that way if
19 somebody asks for it, you don't have to go through the file
20 and find it.

21 DON HALL

22 DIRECT EXAMINATION

23 QUESTIONS BY MR. KAISER:

24

--

1 Q. Mr. Hall, are you familiar with the
2 application we filed---?
3 A. Yes.
4 Q. ---seeking a pooling order to pool any
5 unleased interest in the unit for well...EPC well number VC-
6 536641, which was dated May the 20th---?
7 A. Yes.
8 Q. ---2005?
9 A. Yes.
10 Q. Does Equitable own drilling rights in the
11 unit involved here?
12 A. We do.
13 Q. Now, prior to filing the application, were
14 efforts made to contact each of the respondents and an
15 attempt made to work out a voluntary lease agreement?
16 A. Yes.
17 Q. And what is the interest of Equitable in the
18 gas estate in that's under lease?
19 A. We have 99.60% leased.
20 Q. And the coal estate? The same thing?
21 A. Both estate, yes.
22 Q. And the unleased parties are set out at
23 Exhibit B-3?
24

1 A. That's correct.

2 Q. And that's just Tract 3?

3 A. That's correct.

4 Q. And both the...and the gas and coal estate
5 unleased is 0.40%?

6 A. Yes.

7 Q. We don't have any unknown interest owners?

8 A. No.

9 Q. Okay. And are the...are the addresses set
10 out in Exhibit B to the application the last known addresses?

11 A. They are.

12 Q. Are you requesting this Board to force pool
13 all unleased interest listed at Exhibit B-3?

14 A. Yes.

15 Q. Are you familiar with the fair market value
16 of drilling rights in the unit here and in the surrounding
17 area?

18 A. Yes.

19 Q. Could you, again, advise the Board as to
20 what those are?

21 A. A five dollar bonus on a five year term with
22 a one-eighth royalty.

23 Q. In your opinion, do the terms you just
24

1 testified to, represent the fair market value of and the fair
2 reasonable compensation to be paid for drilling rights within
3 this unit?

4 A. They do.

5 JIM KAISER: Again, Mr. Chairman, we'd ask that the
6 previous testimony on election be incorporated.

7 BENNY WAMPLER: That will be incorporated.

8 Q. Here, we don't have an E, but we have an EE,
9 Mr. Hall, is that correct?

10 A. That's correct. The EE represents the split
11 owners...split agreement that Pobst-Combs heirs and Levisa
12 had, as we discussed earlier. At the time we made
13 application, I had forgotten that they had that agreement.
14 That's the purpose of the new exhibit that I just handed out.
15 Also, I handed out a copy of a new plat. Once we made
16 application, our operations people tweaked the location just
17 a little bit and moved it just a little, so this is a
18 corrected plat. It doesn't affect the tracts or anything
19 involved in the force pooling.

20 Q. It doesn't effect any percentage of
21 ownership?

22 A. No, it's just a matter of putting the
23 correct plat on record.

24

--

1 Q. I notice the location is outside the
2 interior window. Have you or will you seek a location
3 exception in the permitting process?

4 A. Yes. This permit hasn't been applied for
5 yet. But when we do, we'll seek an exception.

6 Q. Okay. And what is the total depth of the
7 proposed well?

8 A. 2429 feet.

9 Q. And the estimated reserves of the unit?

10 A. 330 million cubic feet.

11 Q. Now, are you familiar with the well costs?

12 A. Yes.

13 Q. In your opinion, does the AFE we have
14 submitted as Exhibit C to the application provide a...and
15 represent a reasonable estimate of the well costs?

16 A. It does.

17 Q. Could you state for the Board both the dry
18 hole costs and complete well costs for this well?

19 A. Dry hole costs would be \$123,450 and the
20 completed well costs would be \$302,148.

21 Q. Do these costs anticipate a multiple
22 completion?

23 A. They do.

24

1 Q. Does your AFE include a reasonable charge
2 for supervision?
3 A. Yes.
4 Q. In your professional opinion, would the
5 granting of this application be in the best interest of
6 conservation, the prevention of waste and the protection of
7 correlative rights?
8 A. Yes.
9 JIM KAISER: No further questions of this witness,
10 Mr. Chairman.
11 BENNY WAMPLER: Questions from members of the
12 Board?
13 (No audible response.)
14 BENNY WAMPLER: Do you have anything further?
15 JIM KAISER: We'd ask that the application be
16 approved as submitted.
17 BENNY WAMPLER: Is there a motion?
18 DENNIS GARBIS: Motion to approve.
19 JIM MCINTYRE: Second.
20 BENNY WAMPLER: Any further discussion?
21 (No audible response.)
22 BENNY WAMPLER: All in favor, signify by saying
23 yes.
24

1 (All members signify by saying yes, but Donald
2 Ratliff.)

3 BENNY WAMPLER: Opposed, say no.

4 DONALD RATLIFF: I'll abstain, Mr. Chairman.

5 BENNY WAMPLER: One abstention, Mr. Ratliff. Next
6 is a petition from Hard Rock Exploration, Incorporated for
7 creation and pooling of conventional gas unit HRVAE #6,
8 docket number VGOB-05-0621-1469. We'd ask the parties that
9 with to address the Board in this matter to come forward at
10 this time.

11 JIM KAISER: Mr. Chairman and members of the Board,
12 Jim Kaiser and Jim Stephens on behalf of Hard Rock
13 Exploration. Mr. Stephens will be our witness in this
14 matter. I want to ask that he be sworn at this time.

15 (James L. Stephens is duly sworn.)

16 BENNY WAMPLER: The record will show no others. You
17 may proceed.

18

19 JAMES L. STEPHENS

20 having been duly sworn, was examined and testified as
21 follows:

22 DIRECT EXAMINATION

23 QUESTIONS BY MR. KAISER:

24

--

1 Q. Mr. Stephens, if you'd state your full name
2 for the Board, who you're employed by and in what capacity?

3 A. James L. Stephens. I'm Vice President of
4 operations for Hard Rock Exploration.

5 Q. Okay. And this is a conventional well in
6 the Pilgrim's Knob Field?

7 A. Field Rules, yes, sir.

8 Q. Do your responsibilities include the land
9 involved here and in the surrounding area?

10 A. Yes.

11 Q. Are you familiar with our application
12 seeking to pool any unleased interest in the unit for Hard
13 Rock well #6, which was dated May the 20th, 2005?

14 A. Yes.

15 Q. Does Hard Rock own drilling rights in the
16 unit involved here?

17 A. Yes.

18 Q. Now, prior to the filing application, were
19 efforts made to contact each of the respondents in an attempt
20 made to work...work out a voluntary agreement regarding the
21 development of the unit?

22 A. Yes.

23 Q. And, in fact, are all the unleased interest
24

1 within this particular unit currently leased to and through
2 EOG Resources, Inc.?

3 A. Yes, it is.

4 Q. And are you currently negotiating a
5 voluntary agreement with them and, I guess, maybe even have
6 in principal a voluntary agreement?

7 A. Yes, we do.

8 Q. Okay. And what is the interest that Hard
9 Rock has under lease within the unit at this time?

10 A. It's 64.41%.

11 Q. Are you familiar with the ownership of
12 drilling rights of parties other than Hard Rock underlying
13 this unit?

14 A. Yes.

15 Q. And what percentage remains unleased at the
16 time of the hearing?

17 A. 35.59%.

18 Q. And are all the unleased parties set out in
19 our Exhibit B-3?

20 A. Yes.

21 Q. Okay. And we don't have any unknown
22 interest owners in this unit?

23 A. No.

24

--

1 Q. And are the addresses set out in our Exhibit
2 B to the application, the last known addresses for the
3 respondent?

4 A. Yes.

5 Q. Are you requesting this Board to force pool
6 all unleased interest listed at Exhibit B-3?

7 A. Yes.

8 Q. Now, are you familiar with the fair market
9 value of drilling rights in the unit here and in the
10 surrounding area?

11 A. Yes.

12 Q. Could you advise the Board as to what those
13 are?

14 A. A five dollar bonus, a five year term and
15 one-eighth royalty.

16 Q. In your opinion, do the terms you just
17 testified to represent the fair market value of and the fair
18 and reasonable compensation to be paid for drilling rights
19 within this unit?

20 A. Yes.

21 JIM KAISER: Mr. Chairman, we'd, again, ask that
22 the election testimony be incorporated.

23 BENNY WAMPLER: That will be incorporated.

24

--

1 Q. It's a conventional well. We don't have any
2 unknown interest. We don't have any conflicting claims to
3 any of the oil and gas interest on the various tracts. So,
4 in this...for this particular unit, the Board does not need
5 to establish an escrow account, is that correct?

6 A. That's correct.

7 Q. And who should be named operator under any
8 force pooling order?

9 A. Hard Rock Exploration, Inc.

10 Q. And what's the total depth of the well?

11 A. 5400 feet.

12 Q. And the estimated reserves for the unit?

13 A. 300 million cubic feet.

14 Q. And you're familiar with the well costs for
15 this well?

16 A. Yes, I was.

17 Q. In fact, did you prepare the AFE yourself?

18 A. Yes, I did.

19 Q. And does it represent, in your opinion, a
20 reasonable estimate of the well costs?

21 A. Yes.

22 Q. Would you state for the Board both the dry
23 hole costs and completed well costs for Hard Rock 6?

24

1 A. The dry hole costs are \$190,177.50. The
2 completed well costs are \$409,283.50.

3 Q. Do these costs anticipate a multiple
4 completion?

5 A. Yes.

6 Q. Does your AFE include a reasonable charge
7 for supervision?

8 A. Yes, it does.

9 Q. In your professional opinion, would the
10 granting of this application be in the best interest of
11 conservation, the prevention of waste and the protection of
12 correlative rights?

13 A. Yes.

14 JIM KAISER: Nothing further of this witness at
15 this time, Mr. Chairman.

16 BENNY WAMPLER: Questions from members of the
17 Board?

18 (No audible response.)

19 BENNY WAMPLER: Just the same comment about the
20 plat, again, to put the tract numbers on---.

21 JIM KAISER: Yeah, all right.

22 BENNY WAMPLER: ---for future reference, okay. Do
23 you have anything further?
24
--

1 JIM KAISER: Mr. Chairman, we'd ask that the
2 application be approved as submitted.

3 BENNY WAMPLER: Is there a motion?

4 DONALD RATLIFF: So moved, Mr. Chairman.

5 BENNY WAMPLER: Motion to approve.

6 JIM MCINTYRE: Second.

7 BENNY WAMPLER: Second. Any further discussion?
8 (No audible response.)

9 BENNY WAMPLER: All in favor, signify by saying
10 yes.

11 (All members signify by saying yes.)

12 BENNY WAMPLER: Opposed, say no.

13 (No audible response.)

14 BENNY WAMPLER: You have approval. Next is a
15 petition from Pine Mountain Oil and Gas, Inc. for pooling of
16 coalbed methane unit Watkins #7, docket number VGOB-05-0621-
17 1470. We'd ask the parties that wish to address the Board in
18 this matter to come forward at this time.

19 JIM KAISER: Mr. Chairman, Jim Kaiser on behalf of
20 Pine Mountain Oil and Gas, Inc. Our witnesses in this matter
21 will be Mr. Horne and Mr. Landon. We'd ask that they be
22 sworn at this time.

23 (Phil Horne and Ian Landon are duly sworn.)

24

1 BENNY WAMPLER: The record will show no others.
2 You may proceed.

3

4 PHIL HORNE
5 having been duly sworn, was examined and testified as
6 follows:

7 DIRECT EXAMINATION

8 QUESTIONS BY MR. KAISER:

9 Q. Mr. Horne, if you could state your name for
10 the record, who you're employed by and in what capacity?

11 A. My name is Phil Horne. I'm district landman
12 for Pine Mountain Oil and Gas here in Abingdon, Virginia.

13 Q. Now, I know a number of years ago, maybe
14 even ten or twelve years ago, you had occasion to testify
15 before the Virginia Gas and Oil Board. But since it has been
16 so long, could you just kind of by way of introduction, you
17 may be here in the months to follow, just give them some
18 professional background on yourself.

19 A. I've been...I worked down in southeast from
20 1975 until 1980. I worked from 1980 until 1986 out of
21 Jackson, Mississippi for A & R Production Company. Then from
22 '97...from 1987 until 1991, I was a landman for A & R
23 Production Company at Coeburn, Virginia working on the

24

--

1 Roaring Fork properties. From 1991 until March of 2005, I
2 was a contract landman for Equitable Production Company
3 working the Nora Field and Roaring Fork Field. Since April
4 the 1st, 2005, I've been employed by Pine Mountain.

5 Q. Do your responsibilities include the land
6 involved in this unit and in the surrounding area?

7 A. That's correct.

8 Q. Are you familiar with Pine Mountain's
9 application seeking a pooling order to pool any unleased
10 interest underlying the unit for Pine Mountain well...the
11 well that we're calling Watkins #7, which was dated May the
12 20th, 2005?

13 A. Yes.

14 Q. And does Pine Mountain Oil and Gas own
15 drilling rights in the unit involved here?

16 A. Yes.

17 Q. And prior to the filing of the application,
18 were efforts made to work out a voluntary lease agreement
19 with any and all respondents?

20 A. Yes.

21 Q. And this is the Nora well...it's in the Nora
22 field?

23 A. Yes, it is.

24

--

1 Q. And what is the interest that Pine Mountain
2 has under lease in the gas estate within the unit?

3 A. 99.38666%.

4 Q. And the interest under lease in the coal
5 estate?

6 A. 100%.

7 Q. And so the only part of the unit that
8 remains...that is unleased is a four undivided interest
9 representing .61% in Tract 4, is that correct?

10 A. That's correct.

11 Q. And all those unleased parties are set out
12 in our Exhibit B-3?

13 A. Yes.

14 Q. Okay. So, again, I'll repeat that, the
15 interest in the gas estate that remains unleased is 0.61334
16 and the coal estate is a 100% leased, correct?

17 A. That's correct.

18 Q. We don't have any unknown entities---?

19 A. No, we don't.

20 Q. ---in the unit? Now, are the addresses set
21 out in Exhibit B to the application, the last known addresses
22 for the respondents?

23 A. Yes, they are.

24

1 Q. Are you requesting this Board to force pool
2 all unleased interest as listed at Exhibit B-3?

3 A. Yes, I am.

4 Q. Are you familiar with the fair market value
5 of drilling rights in the unit here and in the surrounding
6 area?

7 A. Yes.

8 Q. Could you advise the Board as to what those
9 are?

10 A. A five dollar per acre bonus for a five year
11 term with a one-eighth royalty.

12 Q. In your opinion, do the terms you just
13 testified to represent the fair market value of and the fair
14 and reasonable compensation to be paid for drilling rights
15 within this unit?

16 A. Yes.

17 JIM KAISER: Again, Mr. Chairman, I'd ask that we
18 incorporate the election option testimony.

19 BENNY WAMPLER: That will be incorporated.

20 Q. In this particular case, we do need the
21 Board to establish an escrow account for Tracts 3 and 4
22 because of a conflicting claim to the CBM, is that correct?

23 A. That's correct.

24

--

1 Q. Okay. And who should be named operator
2 under any force pooling order?

3 A. Pine Mountain Oil and Gas, Inc.

4 JIM KAISER: That's all I have of this witness at
5 this time, Mr. Chairman.

6 BENNY WAMPLER: Questions from members of the
7 Board?

8 (No audible response.)

9 BENNY WAMPLER: Call your next witness.

10

11 IAN LANDON

12 having been duly sworn, was examined and testified as
13 follows:

14 DIRECT EXAMINATION

15 QUESTIONS BY MR. KAISER:

16 Q. Mr. Landon, if you'd state your full name
17 for the Board, who you're employed by and in what capacity?

18 A. My name is Ian Landon. I'm the operations
19 manager for Pine Mountain Oil and Gas.

20 Q. And since you...I believe you've never
21 testified before the Gas and Oil Board.

22 A. I never have.

23 Q. So, you're a rookie. So, go ahead and give
24

--

1 them a little bit of background on both your education and
2 professional experience.

3 A. I have a B. S. in Petroleum and Natural
4 Engineering from West Virginia University. I've been
5 employed with Pine Mountain since 1990. I've been operations
6 manager since 1997. My areas of responsibility include
7 supervising all drilling completion and production
8 operations, generation of AFEs and project evaluations,
9 reserve evaluations, reserve reporting.

10 Q. And do your responsibilities include the
11 land in this unit and in the surrounding area?

12 A. Yes, they do.

13 Q. Okay. And you're familiar with the proposed
14 exploration and development of this unit and in the
15 surrounding area?

16 A. Yes.

17 Q. And what's the total depth of the proposed
18 well?

19 A. 2200 feet.

20 Q. And estimated reserves for the unit?

21 A. 250 million cubic feet.

22 Q. And you, I think, actually prepared the AFE
23 in this case yourself?

24

--

1 A. Yes, I did.

2 Q. So, you would...it would be your opinion
3 that it represents a reasonable estimate of the well costs?

4 A. Yes, it does.

5 Q. If you'd state for the Board, both the dry
6 hole costs and completed well costs for Watkins 7.

7 A. Dry hole costs of \$92,147 and completed well
8 costs of \$291,333.

9 Q. Do these costs anticipate a multiple
10 completion?

11 A. Yes, they do.

12 Q. Does your AFE include a reasonable charge
13 for supervision?

14 A. Yes, they do.

15 Q. In your professional opinion, would the
16 granting of this application be in the best interest of
17 conservation, the prevention of waste and the protection of
18 correlative rights?

19 A. Yes, it does.

20 JIM KAISER: No further questions for this witness,
21 Mr. Chairman.

22 BENNY WAMPLER: Questions from members of the
23 Board?

24

1 (No audible response.)

2 BENNY WAMPLER: Do you have anything further?

3 JIM KAISER: Mr. Chairman, we'd ask that the

4 application be approved as submitted.

5 BENNY WAMPLER: Is there a motion?

6 JIM MCINTYRE: Motion to approve, Mr. Chairman.

7 DENNIS GARBIS: Second.

8 BENNY WAMPLER: Motion and second. Any further

9 discussion?

10 (No audible response.)

11 BENNY WAMPLER: All in favor, signify by saying

12 yes.

13 (All members signify by saying yes, but Donald

14 Ratliff.)

15 BENNY WAMPLER: Opposed, say no.

16 (No audible response.)

17 BENNY WAMPLER: You have approval.

18 DONALD RATLIFF: I abstain, Mr. Chairman.

19 BENNY WAMPLER: One abstention, Mr. Ratliff. The

20 next item on the agenda is a petition from Appalachian

21 Energy, Inc. for pooling of coalbed methane unit AE-148,

22 docket number VGOB-05-0621-1471. We'd ask the parties that

23 wish to address the Board in this matter to come forward at

24

1 this time.

2 JIM KAISER: Mr. Chairman and members of the Board,
3 Jim Kaiser on behalf of Appalachian Energy, Inc. Our
4 witnesses in this matter will be Mr. Jim Talkington as to
5 land matters and Mr. Frank Henderson as to operations. We'd
6 ask that they be sworn at this time.

7 (Jim Talkington and Frank Henderson are duly
8 sworn.)

9 JIM KAISER: I've got all kinds of stuff to hand
10 out, a real tribute to their continuing due diligence. They
11 had twenty unleased interest owners at the time we filed the
12 application and now we only have six. That's why you're
13 getting all of these.

14 DENNIS GARBIS: I'm impressed.

15 JIM TALKINGTON: We're trying.

16 (Jim Kaiser passes out revised exhibits.)

17 JIM KAISER: All right. We'll start with Mr.
18 Talkington.

19

20 JIM TALKINGTON

21 having been duly sworn, was examined and testified as
22 follows:

23 DIRECT EXAMINATION

24

--

1 QUESTIONS BY MR. KAISER:

2 Q. If you'd state your...you've testified
3 before the Board before, so they're familiar with your work
4 history and background. Would you state your name, who
5 you're employed by and in what capacity in this area?

6 A. Jim Talkington, land agent for Appalachian
7 Energy.

8 Q. And your responsibilities, obviously, do
9 include the land involved in this unit and in the surrounding
10 area?

11 A. They do.

12 Q. And you're familiar with the application
13 that Appalachian Energy filed seeking a pooling order for
14 well #149, which was dated May the 20th, 2005?

15 A. Yes.

16 Q. We're supposedly doing 148.

17 BENNY WAMPLER: 148.

18 JIM KAISER: I gave you the wrong...you've got 149.

19 Let me give you 148. I'm sorry. It's the same
20 changes...the same people, the unleased parties that are
21 known as the Imoring Yates heirs. It's the exact same
22 revision on 148 as 149. In fact, let's just...Mr. Chairman,
23 I'd make a motion that we combine the two hearings, which
24

--

1 would be number---.

2 BENNY WAMPLER: All right. I'll go ahead and call
3 that one too.

4 JIM KAISER: Yeah.

5 BENNY WAMPLER: It's a petition from Appalachian
6 Energy, Inc. for pooling of coalbed methane unit AE-149,
7 docket number VGOB-05-0621-1472. We'd ask the parties that
8 wish to address the Board in this matter to come forward at
9 this time.

10 (Jim Kaiser passes out revised exhibits.)

11 JIM KAISER: All right, we'll start with 148.

12 BENNY WAMPLER: Restate your names for the record,
13 please.

14 JIM KAISER: I'm sorry, Jim Kaiser, Jim Talkington
15 and Frank Henderson representing Appalachian Energy, Inc.

16 BENNY WAMPLER: And, again, the record shows there
17 are no others. You may proceed.

18 JIM TALKINGTON

19 DIRECT EXAMINATION

20 QUESTIONS BY MR. KAISER:

21 Q. Okay, Mr. Talkington, do your
22 responsibilities include the land involved in both of the
23 units for 148 and 149 and in the surrounding area?

24

--

1 A. Yes.

2 Q. And you're familiar with both of the
3 applications that we filed seeking to pool any unleased
4 interest in both of these units, correct?

5 A. Yes, sir.

6 Q. These are both units that are within the
7 Nora Coalbed Gas Field?

8 A. That's correct.

9 Q. And controlled by those Field Rules?

10 A. Yes.

11 Q. Okay. Now, Appalachian Energy, Inc. owns
12 drilling rights in both units, correct?

13 A. They do.

14 Q. And, let's just show them what a good job
15 you've done, prior to filing the application, were efforts
16 made to contact each of the respondents and an attempt made
17 to work out a voluntary lease agreement?

18 A. Yes, they were.

19 Q. And at the time we filed the application,
20 the percentage of the coal...of the gas and CBM estate under
21 lease in the units were 82.4780%?

22 A. That's correct.

23 Q. And then since that time, you have picked up
24

1 an additional fourteen leases?

2 A. That's correct.

3 Q. Which now brings our percentages under lease

4 in both the gas and the CBM estates to 96.7491%?

5 A. Correct.

6 Q. Okay. Now, the unleased...the six unleased

7 parties that are still out there are set out in our revised

8 Exhibit B-3?

9 A. That's correct.

10 Q. And the interest of the gas estate that

11 remains...the gas and coalbed methane estate that remains

12 unleased in both 148 and 149 at this time is 3.3516%?

13 A. That's correct.

14 Q. Okay. You've identified and found all the

15 interest owners within both units. So, there's no unknown

16 owners, is that correct?

17 A. That's correct.

18 Q. Are the addresses set out in our revised

19 Exhibit B, the last known addresses for the respondents?

20 A. That's correct.

21 Q. Are you requesting this Board to force pool,

22 in both units, all the unleased interest listed in their

23 respective Exhibit B-3?

24

--

1 A. Yes.

2 Q. Now, are you familiar with the fair market
3 value of drilling rights in the unit here and in the
4 surrounding area?

5 A. Yes, I am.

6 Q. Can you advise the Board as to what those
7 are?

8 A. A five dollar bonus, a five year term and a
9 one-eighth royalty.

10 Q. Okay. And, in your opinion, do the terms
11 you've just testified to represent the fair market value of
12 and the fair and reasonable compensation to be paid for
13 drilling rights within this unit?

14 A. Yes, they do.

15 JIM KAISER: Again, Mr. Chairman, we'd ask that for
16 both these item numbers, that the testimony regarding the
17 election options be incorporated.

18 BENNY WAMPLER: They'll be incorporated.

19 Q. Jim, in this case, even though the coalbed
20 methane wells we've got a...they're all...they're....both
21 tracts representing the unit are fee mineral tracts. So, we
22 do not have any conflicting claims and we do not need an
23 escrow account, correct?

24

--

1 A. That's correct.

2 Q. Okay. And who should be named operator
3 under both these applications?

4 A. Appalachian Energy, Inc.

5 JIM KAISER: Okay. That's all I have of this
6 witness, Mr. Chairman.

7 BENNY WAMPLER: Questions from members of the
8 Board?

9 (No audible response.)

10 BENNY WAMPLER: Call your next witness.

11

12 FRANK HENDERSON

13 having been duly sworn, was examined and testified as
14 follows:

15 DIRECT EXAMINATION

16 QUESTIONS BY MR. KAISER:

17 Q. Mr. Henderson, if you would state your name
18 for the Board, who you're employed by and in what capacity?

19 A. Frank Henderson, President of Appalachian
20 Energy.

21 Q. Since I called Mr. Landon a rookie, I guess,
22 I'll call you one too. I don't...to my knowledge, you've
23 never testified before the---.

24

--

1 A. That's correct.

2 Q. ---Gas and Oil Board. So, if you'd kind of
3 just give them a little background on your professional
4 history.

5 A. Okay. I have a Bachelor of Science Degree
6 in geology from St. Lawrence University in 1981. I've been
7 involved in the industry since then. I've worked in
8 Colorado, Pennsylvania, New York and I've been in business
9 for myself since 1994 through Appalachian Production
10 Services, which is a service company serving Southwest
11 Virginia, Eastern Kentucky, Southern West Virginia, Tennessee
12 and Pennsylvania. We've been a producer/operator since March
13 of 2002.

14 Q. At which time you---?

15 A. At which time, we purchased the Virginia Gas
16 Exploration assets and we drilled one well last year and plan
17 to drill several this year.

18 Q. Okay, now, there are some differences in our
19 depths and costs and stuff. So, I'm going to kind of
20 separate your testimony a little bit. Let me start with the
21 unit for AE-148. What's the total depth of that well?

22 A. That well is...the total depth will be 1725
23 feet.

24

--

1 Q. And the estimated reserves for that unit?
2 A. 250 million.
3 Q. And did you prepare the AFE for this well?
4 A. Yes.
5 Q. As Mr. Ratliff kind of pointed out to me
6 that it wasn't signed. It surprised me because I thought it
7 was. But in the future, we need to make sure that those get
8 signed.
9 A. Okay. I apologize for that.
10 BENNY WAMPLER: We will need one signed to submit
11 it to the Board.
12 JIM KAISER: Yeah. We'll just sign...we can have
13 him sign the one right after the hearing that's been---.
14 BENNY WAMPLER: This one.
15 A. Okay.
16 JIM KAISER: You can do this one.
17 BENNY WAMPLER: The original.
18 A. I apologize for that.
19 JIM KAISER: That's my fault.
20 Q. In your opinion, does the AFE represent a
21 reasonable estimate of the well costs?
22 A. Yes.
23 Q. Now for AE-148, could you state what the dry
24

1 hole costs and completed well costs are?

2 A. Dry hole costs \$126,905; completed well
3 costs of \$274,580.

4 Q. Do these costs anticipate a multiple
5 completion?

6 A. Yes.

7 Q. Does your AFE include a reasonable charge
8 for supervision?

9 A. Yes.

10 Q. Okay. Now, let's move to AE-149, what is
11 the total depth of that proposed well?

12 A. 1775 feet.

13 Q. And the estimated reserves for the unit?

14 A. 250 million.

15 Q. And, again, you prepared the AFE?

16 A. Yes.

17 Q. In your opinion, it represents a reasonable
18 estimate of the well costs?

19 A. That's correct.

20 Q. And could you state both the dry hole costs
21 and completed well costs for 149?

22 A. Dry hole costs \$127,705; completed well
23 costs \$271,325.

24

1 Q. And do these costs anticipate a multiple
2 completion?

3 A. Yes.

4 Q. And does this AFE include a reasonable
5 charge for supervision?

6 A. Yes.

7 Q. In your professional opinion, would the
8 granting of both of these applications be in the best
9 interest of conservation, the prevention of waste and the
10 protection of correlative rights?

11 A. Yes.

12 JIM KAISER: Nothing further of this witness at
13 this time, Mr. Chairman.

14 BENNY WAMPLER: Questions from members of the
15 Board?

16 (No audible response.)

17 BENNY WAMPLER: Do you have anything further?

18 JIM KAISER: We'd ask that both applications be
19 approved with the revised set of exhibits and with the caveat
20 that Frank will come up there and sign those AFEs.

21 BENNY WAMPLER: Is there a motion?

22 JIM MCINTYRE: Motion to approve.

23 DENNIS GARBIS: Second.

24

--

1 BENNY WAMPLER: Second. Any further discussion?
2 (No audible response.)
3 BENNY WAMPLER: All in favor, signify by saying
4 yes.
5 (All members signify by saying yes.)
6 BENNY WAMPLER: Opposed, say no.
7 (No audible response.)
8 BENNY WAMPLER: You have approval. Thank you.
9 We're getting there, guys. The next item is a petition from
10 GeoMet Operating Company, Inc. for pooling of coalbed methane
11 unit Rogers 197 CBM unit C-43. This is docket number VGOB-
12 05-0621-1473. We'd ask the parties that wish to address the
13 Board in this matter to come forward at this time.
14 (Off record discussions.)
15 BENNY WAMPLER: State your name for the record,
16 please.
17 TIM SCOTT: I'm Tim Scott for GeoMet.
18 DONALD D. PATTON: And I'm Don Patton, consulting
19 landman with GeoMet.
20 BENNY WAMPLER: Okay. The record will show no
21 others. You may proceed. I guess we need to swear in the
22 witness.
23 TIM SCOTT: Yeah, we need to swear Mr. Patton.
24

1 (Donald D. Patton is duly sworn.)

2

3 DONALD D. PATTON

4 having been duly sworn, was examined and testified as
5 follows:

6 DIRECT EXAMINATION

7 QUESTIONS BY MR. SCOTT:

8 Q. And, Mr. Patton, would you state your full
9 name?

10 A. My name is Donald D. Patton.

11 Q. And by whom are you employed?

12 A. I'm currently employed as consulting landman
13 by GeoMet, Inc.

14 Q. Are you familiar with GeoMet's application
15 seeking to pool unleased interest for Rogers 197, the
16 application which is dated 5/20/2005?

17 A. Yes, sir, I am.

18 Q. Is this unit located within the Oakwood
19 Coalbed Gas Field Number 1?

20 A. Yes, it is.

21 Q. Does the unit contain 80 acres?

22 A. Yes, sir, it does.

23 Q. And does GeoMet own drilling rights in this
24

--

1 unit?

2 A. Yes, sir, it does.

3 Q. Are there any respondents listed on Exhibit

4 B-3 who should be dismissed from this application?

5 A. No, there are not.

6 Q. How was notice provided to the respondents

7 listed on Exhibit B-3?

8 A. It was basically published notice through

9 the Bluefield Telegraph.

10 Q. And by what other means?

11 A. By certified mail.

12 Q. Are there any unknown owners in this unit?

13 A. No, there are not.

14 Q. Have proof of publication and mail

15 certification been provided to the Board regarding this unit?

16 A. Yes, they have.

17 Q. Is GeoMet authorized to conduct business in

18 the Commonwealth?

19 A. Yes, it is.

20 Q. Has it registered with the Department and

21 does it have a blanket bond on file?

22 A. Yes...yes, sir, it does.

23 Q. If you were to reach an agreement with those

24

1 parties listed on Exhibit...Exhibit B-3, what lease terms
2 would be offered to those persons?

3 A. Okay, what has offered at this point was a
4 twenty dollar per acre bonus for a paid up five year lease
5 with a one-eighth royalty.

6 Q. Okay. And do you believe that to be fair
7 and reasonable compensation for drilling rights in this...in
8 this area?

9 A. Yes, sir, it is.

10 Q. What percentage of the coal estate does
11 GeoMet have under lease?

12 A. The coal estate at this time, GeoMet has
13 93.84%.

14 Q. And what percentage of the oil and gas
15 estate does GeoMet have under lease?

16 A. 82.11%.

17 Q. What percentage of the oil and gas estate
18 does GeoMet seek to pool?

19 A. As far as the oil and gas estate, would be
20 17.89%.

21 Q. And percentage of the coal estate?

22 A. 6.16%.

23 Q. With regard to this particular unit, is
24

1 there an escrow requirement?

2 A. Yes.

3 Q. Has an Exhibit B been submitted to the

4 Board, which sets forth the interest and conflict and the

5 tracts effected and whose interest should be escrowed?

6 A. Yes, it is.

7 Q. Are you requesting the Board to pool the

8 unleased parties listed on Exhibit B-3?

9 A. Yes, sir, we are.

10 Q. Are you also asking that GeoMet be named

11 operator for this unit?

12 A. Yes, sir, we are.

13 Q. What address should be used for all

14 correspondent regarding elections for this particular unit?

15 A. It should be addressed to GeoMet, Inc. at

16 5336 Stadium Trace Parkway, Ste. 206, Birmingham, Alabama

17 35244 to the attention of Joseph L. Stevenson.

18 Q. And all...all correspondence regarding

19 elections should be sent to this address and to that person's

20 attention, is that correct?

21 A. Yes, sir, that is correct.

22 Q. Okay. Are you familiar with the total depth

23 for this proposed well?

24

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1 A. Yes, sir. The total depth of this proposed
2 well is 1809 feet.

3 Q. Are you seeking to pool coalbed methane gas
4 reserves from the surface to the designated formations?

5 A. Yes, sir, we are.

6 Q. What are the estimated reserves for this
7 particular unit?

8 A. In this particular unit, it is 560 mmcf.

9 Q. Are you familiar with the well costs for
10 this unit?

11 A. I am, sir.

12 Q. What is the estimated dry hole costs?

13 A. The estimated dry hole is \$105,500.

14 Q. And what about the completed well costs?

15 A. Completed well costs is \$325,900.

16 Q. Has an AFE been submitted to the Board?

17 A. Yes, sir, it has.

18 Q. And does the AFE include a reasonable charge
19 for supervision?

20 A. Yes, sir, it does.

21 Q. In your opinion, would the granting of this
22 application promote conservation, prevent waste and insure
23 correlative rights?

24

1 A. Yes, sir, it does.

2 TIM SCOTT: Okay. That's all the questions I have
3 for Mr. Patton.

4 BENNY WAMPLER: Questions from members of the
5 Board?

6 (No audible response.)

7 BENNY WAMPLER: Do you have anything further?

8 TIM SCOTT: No, sir. I just ask that the
9 application be granted.

10 BENNY WAMPLER: Is there a motion?

11 DONALD RATLIFF: Move to approve, Mr. Chairman.

12 JIM MCINTYRE: Second.

13 BENNY WAMPLER: Motion and second. Any further
14 discussion?

15 (No audible response.)

16 BENNY WAMPLER: All in favor, signify by saying
17 yes.

18 (All members signify by saying yes.)

19 BENNY WAMPLER: Opposed, say no.

20 (No audible response.)

21 BENNY WAMPLER: You have approval.

22 TIM SCOTT: Thank you.

23 BENNY WAMPLER: The next item on the agenda is a
24

1 petition from GeoMet Operating Company, Inc. for pooling of
2 coalbed methane unit Rogers 198 CBM unit B-43, docket number
3 VGOB-05-0621-1474. We'd ask the parties that wish to address
4 the Board in this application to come forward at this time.
5 State your name, again, please.

6 TIM SCOTT: Tim Scott for GeoMet.

7 DONALD D. PATTON: And Donald Patton for GeoMet.

8 LESLIE K. ARRINGTON: Les Arrington, CNX Gas and
9 Island Creek Coal Company.

10 BENNY WAMPLER: Les, you were previously sworn.

11 LESLIE K. ARRINGTON: Yes.

12 BENNY WAMPLER: So, all of you are still under
13 oath. You may proceed, Mr. Scott.

14 TIM SCOTT: Okay, thank you.

15

16 DONALD D. PATTON

17 DIRECT EXAMINATION

18 QUESTIONS BY MR. SCOTT:

19 Q. Mr. Patton, again, would you state your
20 name?

21 A. Yes, Donald D. Patton.

22 Q. And by whom are you employed?

23 A. As a consulting landman by GeoMet, Inc.

24

--

1 Q. Are you familiar with GeoMet's application
2 now pending before the Board---?
3 A. Yes.
4 Q. ---for well number 197?
5 A. 198?
6 Q. Yeah, 198.
7 A. Yes, sir.
8 Q. Let's see, I've got the wrong stuff here.
9 Just a second.
10 (Tim Scott gets organized.)
11 Q. I'm sorry, I've got all my stuff all mixed
12 up here. Okay. Is this unit also located within the Oakwood
13 Coalbed Gas Field #1?
14 A. Yes, it is.
15 Q. Does the unit contain 80 acres?
16 A. Yes, sir, it does.
17 Q. And does GeoMet own drilling rights in this
18 particular unit?
19 A. Yes, sir, it does.
20 Q. Are there any respondents listed on as
21 unleased on Exhibit B-3 that should be dismissed from the
22 application?
23 A. No, sir, there isn't.

24

1 Q. How was notice provided to the respondents
2 listed on Exhibit B-3?

3 A. Okay, through published notice at the
4 Bluefield Telegraph and by certified mail.

5 Q. Okay. Are there any unknown owners in this
6 unit?

7 A. No, sir.

8 Q. Have you filed proofs of publication and
9 your mail certification regard to mailing with the Board?

10 A. Yes, we have.

11 Q. And is GeoMet authorized to conduct business
12 in the Commonwealth?

13 A. Yes, sir, it is.

14 Q. Again, I'll ask you, has the...had GeoMet
15 registered with the Department and does it have a blanket
16 bond on file?

17 A. Yes, sir, it does.

18 Q. If you were to reach an agreement with the
19 parties who are listed on Exhibit 3, what would be the terms
20 that you would offer those individuals?

21 A. The terms that we would offer those
22 individuals would be twenty dollar per acre for a paid up
23 five year lease with a one-eighth royalty.

24

--

1 Q. In your opinion, does...do these terms
2 represent a fair market value for leases in this area?
3 A. Yes, sir, it does.
4 Q. What percentage of the coal estate does
5 GeoMet have under lease?
6 A. GeoMet has a 100% of the coal estate under
7 lease.
8 Q. What about the oil and gas estate?
9 A. 87.2325%.
10 Q. What percentage of the oil and gas estate
11 are you seeking to pool?
12 A. 12.7675%.
13 Q. And what about the percentage of the coal
14 estate?
15 A. We have a 100% of that leased.
16 Q. With regard to this unit, is there an escrow
17 requirement?
18 A. Yes, sir.
19 Q. And has an Exhibit E been submitted to the
20 Board?
21 A. Yes, it is.
22 Q. Are you requesting the Board to pool the
23 unleased parties listed on Exhibit 3?
24

1 A. Yes, sir, we are.

2 Q. Are you also asking that GeoMet be listed or
3 be named operator for this unit?

4 A. Yes, sir, we are.

5 Q. What address should be used for
6 correspondents regarding elections?

7 A. That would be to GeoMet, Inc. at 5336
8 Stadium Trace Parkway, Ste. 206, Birmingham, Alabama 35244
9 and it should be to the attention of Joseph L. Stevenson.

10 Q. Okay.

11 BENNY WAMPLER: Mr. Scott, excuse me just a second,
12 are you asking him Exhibit 3, did you mean B-3?

13 TIM SCOTT: B-3 is what I meant. I'm sorry. Yes,
14 sir.

15 BENNY WAMPLER: Go ahead.

16 Q. Okay. Are you familiar with the depth for
17 this particular well?

18 A. Yes, sir, I am.

19 Q. And what would that depth be?

20 A. It's 2,142 feet as proposed.

21 Q. Okay. Are you asking the Board to pool all
22 formations between the surface...coalbed methane reserves
23 between the surface and the designated target depth?

24

1 A. Yes, sir, we are.

2 Q. Are you familiar with the well costs of this

3 well?

4 A. Yes, sir.

5 Q. What would be the dry hole costs?

6 A. The dry hole costs for this proposed well is

7 \$108,970.

8 Q. And the completed well costs?

9 A. \$332,680.

10 Q. The...what are the estimated reserves for

11 this...for this unit?

12 A. In this particular unit, estimated reserves

13 are 600 mmcf.

14 Q. Okay. Has an AFE been submitted to the

15 Board?

16 A. Yes, sir, it has.

17 Q. And does it also include a reasonable charge

18 for supervision?

19 A. Yes, sir, it does.

20 Q. In your opinion, would the granting of this

21 application promote conservation, prevent waste and promote

22 the correlative rights?

23 A. Yes, sir, it does.

24

1 TIM SCOTT: That's all the questions I have for Mr.
2 Patton.
3 BENNY WAMPLER: What was your TD, again?
4 DONALD D. PATTON: TD was 2,142 feet.
5 BENNY WAMPLER: When you're signing this, what I'll
6 call a cover sheet of your AFE,---?
7 DONALD D. PATTON: Yes, sir.
8 BENNY WAMPLER: ---are you certifying everything on
9 your AFE---?
10 DONALD D. PATTON: Yeah...yes, sir.
11 BENNY WAMPLER: ---by this?
12 DONALD D. PATTON: Uh-huh.
13 BENNY WAMPLER: Okay. Questions from members of
14 the Board?
15 (No audible response.)
16 BENNY WAMPLER: Do you have anything further?
17 TIM SCOTT: No, sir.
18 BENNY WAMPLER: Is there a motion?
19 TIM SCOTT: He has got a question.
20 BENNY WAMPLER: I'm sorry.
21 LESLIE K. ARRINGTON: Just a statement. On this
22 unit, they do have a 100% of the CBM leased. Island Creek
23 Coal Company does have the coal under lease. They do not
24

1 have consent to stimulate on this unit at this point.

2 BENNY WAMPLER: Oh, okay. I thought when he said a
3 100% of the coal estate, I was---.

4 LESLIE K. ARRINGTON: Yeah.

5 BENNY WAMPLER: ---dismissing you there, sorry
6 about that. All right. And you're in agreement with that,
7 that you have no consent to stimulate?

8 DONALD D. PATTON: Yes, sir.

9 BENNY WAMPLER: Okay.

10 LESLIE K. ARRINGTON: Yes. He has no consent on
11 this one, correct.

12 BENNY WAMPLER: All right. Do you have anything
13 further?

14 LESLIE K. ARRINGTON: No, that's all.

15 BENNY WAMPLER: Is there a motion?

16 BOB WILSON: Mr. Chairman, I might point out, that
17 the consent to stimulate is a permitting concern and not---.

18 BENNY WAMPLER: Right.

19 BOB WILSON: ---a pooling concern.

20 JIM MCINTYRE: Move to approve.

21 DENNIS GARBIS: Second.

22 BENNY WAMPLER: Motion and second. Any further
23 discussion?

24

--

1 (No audible response.)

2 BENNY WAMPLER: All in favor, signify by saying

3 yes.

4 (All members signify by saying yes.)

5 BENNY WAMPLER: Opposed, say no.

6 (No audible response.)

7 BENNY WAMPLER: You have approval.

8 TIM SCOTT: Thank you.

9 BENNY WAMPLER: We still have the minutes of, the

10 last agenda item that I have, from April the 19th meeting.

11 Mr. Brent and Mr. Garbis and Mr. McIntrye and myself is the

12 ones that were here.

13 MASON BRENT: Mr. Chairman, I move that we approve

14 the minutes as distributed.

15 BENNY WAMPLER: Motion to approve. Is there a

16 second?

17 JIM MCINTYRE: Second.

18 BENNY WAMPLER: All in favor, signify by saying

19 yes.

20 (All members signify by saying yes.)

21 BENNY WAMPLER: Opposed, say no.

22 (No audible response.)

23 BENNY WAMPLER: You have approval. Mr. Wilson?

24

1 BOB WILSON: Yes, I have just a little bit of
2 business. I'm not going to hold you but a minute.

3 SHARON PIGEON: One minute?

4 BOB WILSON: I'm afraid so. As some of you...I
5 think most of you will remember, I think we extended the
6 contract with the escrow agent as of the first of the year
7 for an additional five years. As you may or may not
8 remember, we had verbally agreed with them to extend the
9 contract under the existing terms. They came back to us
10 later and after...after I had come to the Board and asked
11 your approval to extend it under these terms and received
12 that approval, and said that they wanted to actually increase
13 the fees a bit. Well, we held them to their original
14 contract in their original agreement because I had already
15 gotten Board approval for that. However, we are putting
16 additional work onto the bank, mainly, with regard to
17 disbursements and filing of IRS forms and this sort of thing,
18 and keeping additional records. As you know, the pace of
19 disbursement has increased and it looks like it's going to
20 increase even more so. We want to...we, the bank and I, have
21 discussed putting together a two-fold thing: 1) a contract
22 modification whereby we would increase the fees that they are
23 being paid on a monthly basis by \$500. We currently pay them

24

--

1 \$5,000 a month for operating that account for us. The
2 increase that they have requested is \$500 a month. In
3 addition to the fee increase, they're also wanting to develop
4 what they refer to as a service level agreement. This is
5 where we're going to actually write down some of the things
6 that we have been having problems with as far as deadlines
7 are met and response and this sort of thing, in an agreement
8 which would be a part of this contract modification. So,
9 we're going in kind of three different directions here, 1)
10 We're increasing what we're asking them to do, as a matter of
11 a fact, they've already started doing a lot of this as of the
12 first of the year, including getting out the IRS forms.
13 We're going to increase their load a little bit. We're going
14 to actually write down and have a signed agreement as to some
15 of these deadlines and things that we've had minor problems
16 with. As an aside, I might mention now that regardless of
17 the implications earlier, today's problems are not the bank's
18 fault.

19 BENNY WAMPLER: Well, I appreciate you bringing
20 that out.

21 MASON BRENT: Yeah.

22 BENNY WAMPLER: I think that was very appropriate.

23 MASON BRENT: What...what is that agreement?
24
25

1 You're going to write down things that we've had problems
2 with. What are we agreeing to?

3 BOB WILSON: Well, the things...for instance, some
4 of the deadlines. For instance, our quarterly...our monthly
5 report that we get on the escrow account. Generally, I call
6 them and tell me I've got Board next Tuesday, I want that
7 accounting before then. It should be here...it should be to
8 me earlier than that without my having to call them.
9 Sometimes when operators are trying to get balances for these
10 accounts, their responsiveness has not been that good. Now,
11 it has improved significantly. I had a visit with the
12 Wachovia representative of the state banking in Roanoke some
13 months back and things improved significantly after that.
14 But we want to put all this down in an agreement exactly what
15 we expect them to do and what they are going to do for us and
16 have those part of this contract modification. What I'm
17 asking for today is your authority to go ahead and negotiate
18 this. It will come back to the Board for approval. I'm not
19 even...I don't want approval authority. I want to negotiate
20 this deal and lay this thing out with the assistance of our
21 office and general services who has our contract and matters
22 and then bring it back to the Board. You will have a chance
23 to review it and approve it, obviously, before we do

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1 anything. But that's the general outline. Basically, the
2 \$500 increase per month---.

3 MASON BRENT: Which is a 10% increase?

4 BOB WILSON: 10% increase, yes, sir.

5 MASON BRENT: And that's...and that's been since
6 like five years ago, is that right?

7 BOB WILSON: Yes, sir.

8 DENNIS GARBIS: How many years have they had that
9 contract?

10 BOB WILSON: Five years.

11 DENNIS GARBIS: Five years?

12 BOB WILSON: Uh-huh.

13 BOB WILSON: And, again, we have...we're leaning on
14 them significantly more than we were then mainly because of
15 the activity in the escrow funds.

16 BENNY WAMPLER: I think we should lay all that...I
17 mean, I don't think anybody thinks it's unreasonable that
18 they should lay out why they want the \$500 extra per month as
19 a separate justification.

20 MASON BRENT: In your...in your agreement on those
21 other issues, will it be specific, you'll say, "We want
22 quarterly reports like five days or ten days after the end of
23 the quarter." or---.

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1 BOB WILSON: Yes, sir, that's exactly where we're
2 headed with that is that...such that each monthly escrow
3 report is in our hands...in staff hands by the 10th of the
4 month or the 15th of the month or whatever is reasonable for
5 them, but something that automatically comes without us
6 having to call them up.

7 BENNY WAMPLER: And the consequence of that will be
8 what, they forego the extra money?

9 BOB WILSON: I'm at your suggestion.

10 BENNY WAMPLER: Well, I mean, I think we should
11 have a consequence, I mean, it doesn't quite have any
12 rationale to put it in there if we don't have a consequence
13 of not doing it, and that's a pretty good one.

14 BOB WILSON: Sure.

15 SHARON PIGEON: As a point of clarification, Bob,
16 in your continuing negotiations, wouldn't they have the
17 responsibility to make this report to the IRS regardless?
18 They're paying out money. Don't they have to report to IRS
19 once they pay out?

20 BOB WILSON: No. We've...we've been in contact
21 with the IRS and with them. The IRS, basically, says it's
22 the Board's responsibility.

23 SHARON PIGEON: Really?

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1 BOB WILSON: Yeah. Because it's not...it's not the
2 bank's money. They're not paying it to somebody that's...
3 not interested in paying it out or anything like that. It is
4 money that they are keeping for somebody and they're
5 returning it to them. It's under the (inaudible) of the
6 Board. So, we're paying it out and if there was an ultimate
7 responsibility, it would be the Board's responsibility to do
8 that.

9 SHARON PIGEON: Are they preparing the same type of
10 documentation for the interest that's accruing on the
11 account?

12 BOB WILSON: Yes. They are...again, this is
13 something they're working out with the IRS because there is a
14 divide there.

15 SHARON PIGEON: Right. A---.

16 BOB WILSON: The interest that they're paying as
17 opposed to the principal they're putting out. It's actually
18 kind of complicated, which is why I don't want to do it.

19 SHARON PIGEON: Which is why they don't want to do
20 it either.

21 BOB WILSON: I'm sure.

22 BENNY WAMPLER: Okay. Anything further?

23 BOB WILSON: No, that's all I have. I just---.

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